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# EMBORN SUGAR RESOLUTION

## HEARINGS

BEFORE THE

## COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SEVENTH CONGRESS  
SECOND SESSION

P52-39

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COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

SIXTY-SEVENTH CONGRESS, SECOND SESSION.

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DAVID H. KINCHELOE, Kentucky.  
MARVIN JONES, Texas.  
PETER G. TEN EYCK, New York.

L. G. HAUGEN, *Clerk*.

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## LAMBORN SUGAR RESOLUTION.

COMMITTEE ON AGRICULTURE,  
HOUSE OF REPRESENTATIVES,  
Monday, April 17, 1922.

The committee met at 10 o'clock a. m., Hon. Gilbert N. Haugen (chairman) presiding.

There were present: Mr. Haugen, Mr. McLaughlin of Michigan, Mr. Purnell, Mr. Voigt, Mr. McLaughlin of Nebraska, Mr. Riddick, Mr. Tincher, Mr. Sinclair, Mr. Hays, Mr. Clague, Mr. Clarke, Mr. Aswell, Mr. Kincheloe, Mr. Jones, and Mr. Ten Eyck.

The CHAIRMAN. The committee has met this morning to give consideration to House joint resolution 284.

(The resolution referred to follows:)

[H. J. Res. 284, Sixty-seventh Congress, second session.]

JOINT RESOLUTION Authorizing the President to require the United States Sugar Equalization Board (Incorporated) to take over and dispose of two thousand tons of sugar imported from the Argentine Republic and adjust the loss sustained thereby.

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President is authorized to require the United States Sugar Equalization Board (Incorporated) to take over from the copartnership, Lamborn and Company, a certain transaction entered into and carried on by said copartnership at the request, under direction, and as agents of the Department of Justice, which transaction involved the purchase in the Argentine Republic, between May 25 and June 15, 1920 of two thousand tons of sugar, the importation thereof into the United States, and the distribution of the same within the United States, and to require the said United States Sugar Equalization Board (Incorporated) to liquidate and adjust the entire transaction in such manner as may be deemed by said board to be equitable and proper in the premises, paying to the copartnership aforesaid such sums as may be found by said board to represent the actual loss sustained by them in said transaction, and for this purpose the President is authorized to vote or use the stock of the corporation held by him, or otherwise exercise or use his control over the said United States Sugar Equalization Board and its directors, and to continue the said corporation for such time as may be necessary to carry out the intention of this joint resolution.*

The CHAIRMAN. Who is the first witness?

Mr. HUNT. Mr. Lamborn, the head of the firm of Lamborn & Co., is here.

The CHAIRMAN. Before we proceed, I would like to state that I have a request here from Mr. Bush-Brown, who desires to be heard on this Mount Weather proposition. He has appeared before the committee once before. Will you hear him to-morrow?

Mr. KINCHELOE. Why do they want to be heard any further? I got the impression that the committee was practically unanimous against the proposition.

The CHAIRMAN. The committee has agreed to hear Mrs. Boggs to-morrow and I presumed it might hear him at the same time.

Mr. KINCHELOE. What does Mrs. Boggs want to talk about?

The CHAIRMAN. About turning over part of the forest reserve for the use of the soldiers as recreation grounds and the committee had agreed to hear her in the morning, and I thought possibly we could hear Mr. Bush-Brown for a few minutes.

Mr. KINCHELOE. If they have any more supplemental statements to make, why not file them with the committee instead of taking up the committee's time with this Mount Weather proposition? We have had some hearings on that already.

Mr. McLAUGHLIN of Michigan. If he has no more than what he had when he was here before to offer, I do not care to waste any time on it.

Mr. KINCHELOE. I do not, either.

Mr. ASWELL. I move, Mr. Chairman, that he be invited to file any supplemental statement he desires to submit.

Mr. JONES. I second that motion, Mr. Chairman.

(The motion being duly seconded, prevailed.)

The CHAIRMAN. We will hear you now, Mr. Lamborn.

**STATEMENT OF MR. A. H. LAMBORN, OF THE FIRM OF LAMBORN & CO., 132 FRONT STREET, NEW YORK, ACCOMPANIED BY MR. DON M. HUNT, OF THE FIRM OF LAMBORN & CO.**

Mr. HUNT. Mr. Chairman, we have prepared a statement of the facts in the case and we would like to have that made a part of the record before Mr. Lamborn goes ahead. It is a brief, concise statement of what the facts are, and then Mr. Lamborn and Mr. Riley will appear and be questioned on the subject.

Mr. ASWELL. Is that the Mr. Riley who was in the Department of Justice?

Mr. HUNT. Yes, sir.

Mr. ASWELL. Is he here?

Mr. HUNT. Yes, sir; he is sitting over there [indicating].

Mr. CLARKE. Are there any more of these sugar claims?

The CLERK. None filed here.

Mr. CLARKE. But are there any others?

The CHAIRMAN. We have some bills on the grain proposition.

Mr. CLARKE. I had reference to sugar claims.

Mr. McLAUGHLIN of Michigan. What is the request; to have this brief printed in the record?

Mr. HUNT. Yes; it is a brief, concise statement of all the details in the case and is really in better shape than we could give it to you verbally. Of course, Mr. Lamborn is here to be questioned and to go into details in addition to the brief.

Mr. ASWELL. If you are going to print all this in the record, why do you want to be heard—if all the facts are here?

Mr. HUNT. All the facts are really there.

The CHAIRMAN. What is the pleasure of the committee?

Mr. McLAUGHLIN of Michigan. A lot of this relates to the American Sugar Co. case.

Mr. LAMBORN. There is just a reference to the American Trading Co. case.

Mr. ASWELL. Why do you talk about the two cases that have already been acted upon by the committee?

Mr. LAMBORN. Only comparing them with our case, that is all.

Mr. CLARKE. May I ask why you did not come down at the same time the other sugar interests came down before our committee?

Mr. LAMBORN. We considered the matter a year and a half ago and we talked it over, and the firm of Lamborn & Co., composed of 11 members, discussed the matter, and then they decided it would be best to wait and see just how the other bills fared and how they got along.

Mr. CLARKE. In other words, to see whether you stood a show of getting away with it; is that the idea?

Mr. LAMBORN. Not exactly that; no, sir; but to let them lay the groundwork. There was no reason why we should all come in at once.

Mr. KINCHELOE. Is it not a fact that this was really a second thought with all of you—to come down and unload it on the Government if they could not get by with this proposition and got stung.

Mr. LAMBORN. That was not our thought, sir.

Mr. KINCHELOE. No; you are late in coming here, but after they took the initiative, then you are trailing.

Mr. LAMBORN. If they had not done so, we would have taken the initiative ourselves.

Mr. KINCHELOE. Why did you not do it then?

Mr. LAMBORN. We told them we were going to, and they said that they already had a bill up.

Mr. KINCHELOE. The truth about it is there is no love between the B. H. Howell claim and the DeRonde claim.

Mr. LAMBORN. We know nothing about that. There is no question of love about the matter at all. It is a question of justice.

Mr. KINCHELOE. You seem to be very familiar with those claims from your allusions to them in this brief.

Mr. LAMBORN. We have naturally studied their case.

Mr. ASWELL. If the other bills had not been favorably reported, you would not have come.

Mr. LAMBORN. I think not.

Mr. ASWELL. That is what I thought.

Mr. KINCHELOE. You knew there was not a unanimous report from this committee as to those claims?

Mr. ASWELL. There was on the De Ronde case.

Mr. KINCHELOE. There was not a minority report filed.

Mr. ASWELL. No.

Mr. KINCHELOE. There was no minority report so far as the De Ronde case is concerned and I am frank to say that while I am against all of them, I think De Ronde has just as meritorious a claim as the others have.

Mr. ASWELL. I think a little better.

Mr. HUNT. I think our claim is as good or better than any one of them.

Mr. VOIGT. Have you ever had the Attorney General pass on this claim?

Mr. LAMBORN. We have never talked with the Attorney General about it.

Mr. ASWELL. I object to printing this brief in the record because it is a long discussion of the other claims which has no bearing on this case.

Mr. JONES. Mr. Chairman, it seems to me these people have a right to present their claim.

Mr. ASWELL. Certainly.

Mr. JONES. They may be a little late, but it seems to me they have the right to make references to similar claims that might have already been filed, and I think they have really done the committee a favor in presenting the claim in this way; if they have it in concise form and if they had made some effort to get it in concrete form for the benefit of the committee, and it seems to me, as a matter of fairness, that they ought to be permitted to put their condensed statement in the record. I would a good deal rather do that than sit here and listen to them read it all, and that is what was done in one or two other matters, and it seems to me that that is really a courtesy that ought to be given to them.

Mr. ASWELL. My position is that if they have a good claim, I am anxious to find out the facts, but I am not willing to have the Government go to the expense of printing all this stuff discussing the other claims that have been acted on by the Senate and by this committee.

Mr. JONES. If this were not filed, I would like to have a comparative statement along beside the other claims, and it seems to me that this is a rather proper way to do it. I did not vote for the other claims, and I do not assume I will vote for this one, although I may; at least, I would like to have the matter in the record, and I think the committee and the Congress, if the matter is reported, ought to have a complete statement.

Mr. ASWELL. The committee has been furnished with complete copies of it; what else do you want?

Mr. JONES. If the matter should be reported to the Congress, the Congress would not have access to a copy of it unless it was printed in the record. The Congress secures copies of the statements that are made by securing the printed hearings, and if these statements are not printed in the hearings the other Members of Congress who will be called upon to vote on the matter would not have access to the full statement.

Mr. KINCHELOE. What do you have reference to there that is objectionable?

Mr. ASWELL. I think we ought to print whatever these gentlemen wish printed on their case, but for them to go ahead and discuss the other two cases which have been acted upon, I think is none of their business.

Mr. KINCHELOE. I think you are right about that, and what I was anxious to do was by having this statement of their case to put it in the record and get rid of this hearing.

Mr. ASWELL. If that would shorten the hearing, I would be with you.

Mr. McLAUGHLIN of Michigan. A large part of this statement relates to the other cases and has no relation whatever to this case.

Mr. KINCHELOE. I just picked it up and I have not looked through it.

Mr. LAMBORN. May I make this statement—

Mr. McLAUGHLIN of Michigan (interposing). Any correspondence between these people and the Attorney General's department or the State Department that we have not already in the record, I would be glad to have, but this would be repeating a lot of matter that we already have, and I do not think it is necessary to print this in the record.

Mr. CLARKE. Have we got this gentleman's name here?

Mr. HUNT. My name is Hunt, and I work for Lamborn & Co.

Mr. CLARKE. In what capacity?



Mr. HUNT. I am in the legal department of Lamborn & Co., and I prepared this statement of facts.

Mr. LAMBORN. But he is an employee. He is not our general counsel.

Mr. JONES. It seems to me that these transactions all occurred along about the same time and they are all more or less mixed up with the same proposition, and I do not think a brief should be literally thrown out simply because it might make some reference to other claims and compare other claims that are of the same nature and happened at the same time.

Mr. LAMBORN. Mr. Chairman, may I offer the suggestion that we are not here to attack anybody else's claim. Either we deserve this money in return for the service we rendered at the request of the Government or we do not. On the other hand, on page 16 of this brief, we did make a comparison of our claim with the other claims in justice to ourselves, and we produced this brief so it would save both our time and the time of the committee, because most of this matter has been gone over at great cost to the Government and a great deal of your time personally has been taken on these other cases. I do not think you will find anything here except a statement of actual facts, with the exception of a comparison of our claim with the other claims that have been filed here, and we are not trying to attack those claims in any way. On the contrary, if they are just, we want them paid, just the same as we desire ours paid.

Mr. ASWELL. Just on that point, what I had in mind was that you say if you have a just claim you want it paid, and if you have not, you do not, and I agree with you; but you have no business discussing the other claims.

Mr. HUNT. The reason we discussed those claims is this—

Mr. JONES (interposing). When the other claims were discussed, the American Trading Co.'s representatives and even the Department of Justice made comparison with other claims that were filed in discussing their claim, and there has not been a claim presented to this committee that did not involve, to a certain extent, a discussion of comparative or contemporaneous claims.

Mr. VOIGT. Mr. Chairman, I would like to suggest that we will probably get about as long a record here by rag-chewing about this matter as we would if we let the statement go in as it is.

Mr. JONES. I think so, too.

Mr. LAMBORN. I am sure, Mr. Chairman, in comparison with the record already printed, that this brief is very short indeed.

Mr. ASWELL. But it is a repetition.

The CHAIRMAN. There are about 21 pages of it.

Mr. HUNT. I want to state in addition to that—

The CHAIRMAN. What is the pleasure of the committee?

Mr. ASWELL. I move that the gentleman be heard and the brief they have be left in the hands of the members of the committee.

Mr. JONES. I move as a substitute, Mr. Chairman, that the request for printing of the brief be granted.

(The motion as amended by Mr. Jones, having been duly seconded, prevailed.)

Mr. HUNT. We have here the original documents referred to in that statement that are subject to your inspection, and we will leave them with the committee if you desire it. They have all been printed in the statement of facts, but here are the originals and we can file them with the clerk. They are the telegrams and the correspondence relative to this claim.

The CHAIRMAN. What is your request?

Mr. JONES. They are printed in the brief.

Mr. HUNT. They are printed in the brief and I want to leave these with the committee for whatever the pleasure of the committee is with regard to them. They are the originals.

The CHAIRMAN. Mr. Lamborn, you may proceed.

Mr. McLAUGHLIN of Michigan. I would suggest printing in the record letters from Mr. William A. Glasgow, jr., who is counsel for the Sugar Equalization Board. This letter is in answer to a letter written to him by the chairman of this committee, the last one suggesting his attendance at this meeting. In reply he speaks of these claims.

Mr. ASWELL. Will he be here, Mr. McLaughlin?

Mr. McLAUGHLIN of Michigan. He says he is not able to attend to-day.

The letters referred to as being written by the Chairman were written at the request of Mr. Glasgow, who requested to be notified.

Mr. ASWELL. May I inquire whether the chairman of the committee knows what the Sugar Equalization Board is doing, what serviceable record it is making, and how much expense is it enjoying now or how much it has spent for the past two or three years

The CHAIRMAN. We have not had any report on that.

Mr. ASWELL. I think the committee ought to have that report. If we let them go on for 30 years they will spend the \$30,000,000 they have in the Treasury.

The CHAIRMAN. My understanding is that the excuse for continuing it is that there are some cases pending.

Mr. ASWELL. Are they drawing salaries and having expense accounts still?

The CHAIRMAN. I have no knowledge of that.

Mr. ASWELL. Would it be in order for this committee to request information along that line from the Sugar Equalization Board? I do not want to suggest it if it would not be proper. I think this committee should have the facts as to the amount of money they are spending monthly.

Mr. JONES. I think so too, Mr. Chairman.

Mr. ASWELL. And what they are doing and whether they have authority in law to disband and turn this money over to the Treasury without any further drawing out of expense accounts and salaries for stenographers, etc. I understand they still maintain two offices, one in Philadelphia and one in New York. If it is a proper thing, I would like to make a motion that the Sugar Equalization Board be requested at once to furnish this committee with detailed information as to the amount of expenses for the past two years to date.

The CHAIRMAN. Do you make that request in the form of a motion?

Mr. ASWELL. I make that as a motion.

Mr. TINCHER. I second the motion.

Mr. VOIGT. Mr. Chairman, that is not relevant to the resolution that is pending before this committee.

Mr. ASWELL. I did not make it in connection with the resolution at all.

Mr. VOIGT. Well, there is not anything before this committee on which a motion of that kind could be based.

Mr. TINCHER. I think it would be pertinent. I think it is a thing we could bring in here when inquiring into these claims.

Mr. ASWELL. I think it would have something to do with the urgency of settling up these cases and dissolving that board and saving the expense.

Mr. VOIGT. Whether the Sugar Equalization Board is spending \$100 a month or \$50,000 a month I do not think would have any bearing on the justness of this claim.

Mr. ASWELL. It would not have anything to do with that, but it would give some information to this committee as to whether we should reject the claim or should act upon it quickly and get rid of the whole thing.

Mr. VOIGT. I do not see how it would affect the matter one way or the other.

Mr. ASWELL. It would, if we could save \$50,000 a month.

Mr. VOIGT. If the United States Government ought to pay this claim it ought to pay it no matter what the Sugar Equalization Board is doing or whether they are spending \$100 a month or \$50,000 a month.

Mr. ASWELL. Would it not be an economy for the United States Government to stop this expense in a reasonable time?

Mr. VOIGT. It might be, but that is not incident to the matter before the committee.

Mr. ASWELL. I think it would be valuable information for the committee.

Mr. VOIGT. That may be, but the question now is whether this committee ought to call for that information without having anything before it.

Mr. ASWELL. We want to get something before it and that is the reason I made the motion.

Mr. VOIGT. There is no resolution of inquiry before this committee.

Mr. TINCHER. Mr. Glasgow is taking an interest or is manifesting an interest in these claims and is writing letters about them. He has testified for some of the claims and is slurring other claims. I do not know whether he is on salary from this Government or not, and I do not know who does know.

Mr. ASWELL. I would like to know.

Mr. TINCHER. Yes; I am with you on the motion. I agree with you once. Let us find out and bring the facts in here.

Mr. JONES. I think it is very important to know what they are spending and why.

Mr. ASWELL. I want to know what is behind these things and what salaries they are drawing.

Mr. VOIGT. Mr. Jones, do you think it is important to know that with reference to this matter?

Mr. JONES. No; I think this is perhaps an unhappy place to bring it in, for that matter, but it is information that the committee ought to have.

Mr. TINCHER. Suppose some one wanted to discuss the Sugar Equalization Board on the floor of the House when some of the bills are up for consideration. He ought to have the privilege of knowing all about Glasgow. When Glasgow was here he did

not know much about the Sugar Equalization Board, and I tried to find out some things from him, and I think for the committee to call for all the facts, as to what salaries they are paying, what expenses they are under, and how they are getting by with this thing would absolutely be information we ought to have in the record.

Mr. McLAUGHLIN of Michigan. If I could see that it had any bearing on this claim I would agree with you, and I would be willing to ask them for it at another time in another connection, but on this matter I do not see that it has any bearing at all.

Mr. ASWELL. I stated in making the motion that it had no connection with this claim, but I wanted the information. I have wanted it for several months, but we have not had but one meeting of the committee for some time.

Mr. JONES. I think the resolution or the motion should be separate from this particular claim.

Mr. TINCHER. Glasgow is knocking this claim and has knocked all of them except one, and I think it is a good time to have a show-down with those fellows.

Mr. VOIGT. Mr. Chairman, I do not want to stand in the way of these gentlemen getting any information they are entitled to, but as this matter stands, I am going to vote against the motion. If some member of this committee will introduce a resolution calling for this information, independent of this claim, or introduce some resolution of investigation, I will be glad to vote for that sort of motion, but I am not going to clutter up or complicate this proceeding before the committee now by an inquiry into the Sugar Equalization Board. I do not think it is fair to the people now before the committee.

Mr. ASWELL. I made the motion as a separate matter entirely, with no connection with the resolution now pending.

The CHAIRMAN. Are you ready for the question?

Mr. TINCHER. I do not want to delay matters. I was a little late getting here this morning but I have heard a good deal about these sugar claims. I am going to support the motion and I think in doing so I am doing the people who are presenting this claim a favor.

Mr. ASWELL. Certainly; so do I.

Mr. TINCHER. Because here is a man who sits up there and protests against anything except one claim. His evidence is in the record very strong for that claim and he continues writing to the committee, and I think in order for the House to act intelligently and for the Members to be fully advised, every member of this committee ought to be able to answer the questions, what has become of the Sugar Equalization Board since the war, are they maintaining offices, are they paying themselves big salaries, what is the attitude of this man Glasgow? Does he get a salary from the board or is he paid from some other source.

Mr. JONES. In other words, why a Sugar Equalization Board?

Mr. TINCHER. Yes; why a Sugar Equalization Board now? I think we ought to be informed on that when we go on the floor of the House with any of these claims, and I think it is pertinent for the committee to have that information. I do not think if is any reflection on any of the gentlemen who have any claims here. I do not know whether these gentlemen are advised or not. I have not read this letter, if you have a late one, but the last letter I read from Glasgow, he simply served notice on this committee that we must not pay but one claim, and we must do that quickly.

Mr. McLAUGHLIN of Michigan. No; you are unfair to Mr. Glasgow in that.

Mr. ASWELL. That is substantially what he said.

Mr. TINCHER. I may have misconstrued his letter a little, but that is the way I understood it.

Mr. TEN EYCK. What is the difference whether we ask it now or ask it in a separate resolution? How would it clutter up this claim, Mr. Voigt?

Mr. VOIGT. I think it is unfair when you are investigating a claim here to tie that up with investigating the Sugar Equalization Board. Furthermore, it is an extraordinary proceeding for this committee to start an investigation of the Sugar Equalization Board—and that is what it amounts to—without having any resolution or anything of that kind before the committee which would warrant the committee in making such an investigation.

Mr. ASWELL. Having no information is why I made the motion, because we need the information.

Mr. McLAUGHLIN of Michigan. This claim, as other claims, depends on the relation of the claimant to the Department of Justice or to the State Department, and so on, at the time the transactions were made, or at the time the arrangement was entered into, and the present conduct of the Sugar Equalization Board has no bearing whatever upon it.

The CHAIRMAN. Are you ready for the question?

Mr. KINCHELOE. What is the question, Mr. Chairman.

Mr. ASWELL. Asking for information about the Sugar Equalization Board; how much salaries they are paying and the expenses they have.

Mr. JONES. And what they are doing.

Mr. KINCHELOE. Do you mean to invite somebody down here?

The CHAIRMAN. Your motion does not include any investigation, but simply a request?

Mr. ASWELL. The chairman is requested to ask the head of the Sugar Equalization Board to report in detail the expenses in the last two years and give the claims of individual persons paid.

The CHAIRMAN. And the money on hand as a balance?

Mr. ASWELL. Yes.

(The motion, having been duly seconded, prevailed.)

The CHAIRMAN. You may proceed, Mr. Lamborn.

Mr. LAMBORN. I would like to state that one of the gentlemen made the remark that there seems to be some bitterness, as I think he said, among the contestants here. Now, we do not know Mr. DeRonde. I met him on the ocean in 1919 long before this happened. I met his uncle to-day for the first time. I have known B. H. Howell Son & Co. for the last 30 years. I do an enormous business with them. I have no bitterness against them at all, and when the question was asked why we had cluttered up this brief with a comparison of the other claims I tried to make it clear that we were not making a comparison except to show that we were actual merchants and that we were not being used indirectly but directly, and that we operated the minute the department called us. We brought in the sugar and it actually arrived here eight days before the DeRonde sugars left the Argentine and nearly four weeks before Howell & Co. sugar left. We are not saying that that was their fault. They undoubtedly did the best they could, but we feel we have a right to make our own statement irrespective of theirs, as well as in comparison with theirs.

Mr. ASWELL. May I interrupt you there? If your sugar arrived eight days before the other shipments left the South American country, that was long before the price went down, and you should have gotten a good price for that sugar.

Mr. LAMBORN. It was not before the price went down, because these sugars were not known in the United States. We did not even have samples in our office at that time, and when we tried to sell the sugars we could not, and when the market commenced to break in July, 1920, no one could sell sugars. It was a physical impossibility. Days and days passed without any refiner or any merchant being able to sell a pound of sugar.

Mr. ASWELL. At what time did your sugar arrive here?

Mr. LAMBORN. On the 21st of July, and the market was then in a most chaotic condition and it stayed that way for months and months. We acted just as quickly as we could. We tried to sell the sugar and could not. We consigned the sugars to Pittsburgh, Columbus, Indianapolis, Chicago and Grand Rapids. I have not before me the entire list but Mr. Hunt has a list of where the sugars went to. We sent them out on consignment and told them to sell at the best price immediately, and they could not sell them.

Mr. VOIGT. Did you have an agreement limiting your profit to 1 cent a pound?

Mr. LAMBORN. We had no specific agreement but that was generally understood with the department, that no one would sell sugars at more than 1 cent per pound profit, and as a matter of fact, we sold our sugars at less than 1 cent a pound profit—that which we could sell.

Mr. KINCHELOE. Was there any contract about who was to take care of you in case you lost?

Mr. LAMBORN. No, sir.

Mr. KINCHELOE. Nothing was said about any loss?

Mr. LAMBORN. No, sir; at the time nothing was said about that because our own—

Mr. KINCHELOE (interposing). Was anything said until the market began to break?

Mr. LAMBORN. No.

Mr. KINCHELOE. It was the same way with the other fellows?

Mr. LAMBORN. I judge so. I do not know what conversations they may have had, but I judge from their testimony that nothing was said about it.

Mr. KINCHELOE. How much do you claim your loss is?

Mr. LAMBORN. I think it is over \$570,000, and I think it is attested to by our comptroller—and bear in mind, gentlemen, that we are only making claim for loss on these particular sugars. These were the last sugars we contracted and imported, and we did not want to import any of them because we believed the market was at the top

and we had refused to import any further sugars. I had told my partners time and again that we would not contract to bring any further sugars into this country, but at the department's request, on these Argentine sugars, specifically, we did bring them in.

Mr. TEN EYCK. Had you been bringing sugar in before this?

Mr. LAMBORN. We had contracted to bring in enormous quantities and this was the last contract we entered into.

Mr. TEN EYCK. What was the profit on the sugar you brought in previously?

Mr. LAMBORN. The profit was less than 1 cent a pound on all of them as the Department of Justice records will show. We made a complete statement on that. I do not know whether it was under oath or not, but at the request of the department and Mr. Riley's subsequent request, we gave them as quickly as we possibly could a complete statement of that. We had to keep our clerks at work at night working on an enormous amount of detail in order to do that.

Mr. TEN EYCK. And in no instance did you charge over 1 cent a pound profit?

Mr. LAMBORN. As far as I know, in no instance, except possibly where we had toll arrangements, where we could not tell what the difference would be until the toll was actually made by the refiner.

Mr. McLAUGHLIN of Michigan. My understanding of this matter is that it is the same as the others, and it is a question of the relation of these parties and the agents of the Government, the Department of Justice and the Department of State, if they were acting with the Department of State, as one of the other companies was—it is a question of whether or not there was an express or implied contract with these parties.

Mr. ASWELL. That is the first thing to establish.

Mr. McLAUGHLIN of Michigan. It is a question of the capacity in which these gentlemen acted. I suggest that this witness, if he knows, begin at the beginning and tell his relations with the departments of the Government.

Mr. LAMBORN. May I be permitted to state just what our firm is, not with the idea of increasing the record here, but to let you know who we are, so you will have no doubt about who we are in the sugar business.

Mr. ASWELL. Go ahead.

Mr. LAMBORN. I have been in the sugar business since 1889. I have been in business for myself since July 1, 1891. We are probably the largest distributors of refined sugar in the United States. We do an enormous importation of raw sugars into the United States and we do an enormous export business of both refined and raw sugar throughout the world. At the present time we are exporting refined sugar from America to practically every point from here to China, including the Black Sea ports like Constanza and Constantinople, to Port Said, Alexandria, all the Scandinavian ports except Sweden, and Russia. We are even shipping some to Hamburg, Germany. We are shipping large quantities to Holland, large quantities to France, and still larger quantities to Great Britain. I make this statement because we are in the sugar business, always have been in the sugar business, and while it is true we are members of all the exchanges, including the New York Stock Exchange and the cotton, sugar, and coffee exchanges, and the produce exchange and the board of trade, nevertheless sugar is my life. And when we were approached by the department we naturally continued on this thing, although at that time we were against further importations. But prior to this time we had contracted to import sugars for future delivery and had imported sugars from Java and from China. We had contracted to import sugars from Java and from Mauritius in very large quantities. We had bought sugars to help the situation here from Belgium, from Holland, from England, and from France.

Mr. RIDDICK. Right there, Mr. Lamborn, did you bring in that sugar at the request of the department or not.

Mr. LAMBORN. No, sir; we brought them in on our own initiative, as merchants, knowing that the demand was here.

Mr. RIDDICK. Just as an ordinary merchandising proposition?

Mr. LAMBORN. Yes, sir.

Mr. RIDDICK. What was your profit per pound on that sugar?

Mr. LAMBORN. Not more than 1 cent per pound.

Mr. RIDDICK. In other words, 1 cent a pound was the normal profit on sugar?

Mr. LAMBORN. Most of it was sold at a great deal less than that.

Mr. RIDDICK. Was it sold at a normal profit of 1 cent a pound?

Mr. LAMBORN. Now, if you mean to say normal in the sense of price, yes; but simply because the price had advanced from 6½ cents on raw sugar to 23½ cents. When the price was 6½ cents we made very much smaller commissions because that was the

normal price of sugar; but when the market became higher, the department allowed all the merchants to make from one-half a cent to a cent a pound, and we naturally made that profit because the risk was enormously greater.

Mr. RIDDICK. The point I wanted to bring out was whether you brought in a lot of sugar for the Government or not.

Mr. LAMBORN. This particular lot is the only lot we brought in at the Government's request.

Mr. RIDDICK. I understood you to say just now that the sugar you brought in formerly was at the request of the Government.

Mr. LAMBORN. No, sir; not any of it. I thought I made that clear. If that were so, we would have claims against the Sugar Equalization Board for many millions of dollars, because during the decline of sugar, the repudiations throughout this country were enormous. Our own repudiations extended to over \$4,000,000, and practically none of that money have we been able to collect from the repudiators as yet.

Mr. RIDDICK. I am like Mr. McLaughlin, and would like to know just what arrangements you had with the Department of Justice.

Mr. LAMBORN. Prior to this contract or during the entire period.

Mr. RIDDICK. Any arrangement you had.

Mr. TEN EYCK. What you want are the statistics or the correspondence or anything in writing showing the arrangement.

Mr. RIDDICK. Yes; the record of your contract.

Mr. TEN EYCK. Yes.

Mr. LAMBORN. Some of you gentlemen want it from the beginning and some of you want it in regard to this particular contract. I think I can make it very clear and easily understood by making a short statement. When the Department of Justice in the fall of 1919 took charge of the handling of sugar, when the President turned the Equalization Board's work over to the department, they announced that they did not want a greater profit—

Mr. McLAUGHLIN of Michigan (interposing). Where is their announcement.

Mr. LAMBORN. It was published all over the United States, in every paper, through all the food officers in New York, Philadelphia, and wherever we may have had our offices.

Mr. McLAUGHLIN of Michigan. What was it?

Mr. LAMBORN. To the effect that a greater profit than one half a cent a pound, at first, would not be tolerated, and later on they said that not more than 1 cent a pound profit would be tolerated.

Mr. McLAUGHLIN of Michigan. You had a license, did you not?

Mr. LAMBORN. Oh, yes; certainly.

Mr. McLAUGHLIN of Michigan. Did not the license set forth the profit you would be entitled to receive?

Mr. LAMBORN. No, sir; no license on food control set forth the profit, as far as I know, unless it was on wheat.

Mr. TEN EYCK. Is it not a fact that if everybody was kept down to a cent, you could not get 2 cents, even if you wanted to.

Mr. LAMBORN. No; we could not.

Mr. JONES. Was that true of all sugars regardless of whether they came from the Argentine or not; that is, all the sugars you imported from anywhere?

Mr. LAMBORN. It is true of all the sugars we sold.

Mr. JONES. Then all the sugars that you sold were sold at a profit of not more than 1 cent a pound?

Mr. LAMBORN. At a profit of not more than 1 cent a pound during the fall of 1919 and all of 1920.

Mr. JONES. And regardless of whether you were requested to bring them in by the Government or not?

Mr. LAMBORN. Regardless of whether we were requested to bring them in by the Government or not.

Mr. VOIGT. Will you state how you came to import this sugar from the Argentine?

Mr. LAMBORN. On May 7, I have before me a telegram sent by Howard Figg—I think it is embodied in this brief we are presenting—asking our firm to meet him in Washington at the office of the Department of Justice on May 10 at 11 o'clock a. m. I have not the telegram postponing it, but apparently it was postponed, because we did not come on May 10, and they undoubtedly either telegraphed or telephoned to us not to come then.

Mr. TEN EYCK. Will you not explain right there who this man is who telegraphed to you?

Mr. LAMBORN. Howard Figg, as I understand, was an assistant to the Attorney General of the United States. Just what his duties were I do not know. We had nothing to do with him at any time except these telegrams and our replies and meeting him at the Department of Justice. He never came to our office. On May 17 he sent a subsequent telegram asking us to be at the office of the Department of Justice on May 20 at 11 a. m. We arrived there on May 20, to find that the Attorney General was not there, and as Figg did not wish to meet us by himself, they asked us to postpone our visit to the department until the following day, and on the following day we met the Attorney General, with Mr. Figg, Mr. Riley, and Mr. Garvan.

Mr. McLAUGHLIN of Michigan. Who was he?

Mr. LAMBORN. Mr. Garvan was another Assistant Attorney General. At this meeting there were the importers of sugar, both raw and refined, from New York, Philadelphia, Boston—all of the leading importers—in fact, it was a meeting of the importers and not of the refiners. No refiner was present. We did not know until we heard from the Attorney General what was the object of the meeting, but the object of the meeting was to discuss the importation of sugars. The department at this time had a statistician, and they had compiled figures which indicated that the country would be bare of sugars during the fall, and Mr. Palmer made a very strong, almost an impassionate appeal to all of us to scour the earth, as he put it, and bring in sugars from all parts of the earth.

We asked him or rather I asked him before the meeting took place, because at that time there was a great deal of talk against any one who was in the sugar business, whether they were trying to conduct their business along the lines the department laid down or otherwise—I asked him if he would give us a copy of the minutes of the meeting. He promised that he would, and two or three days later we received a one-page memorandum which simply indicated that the meeting had been held, and I did not know until very long afterwards that the reason was the testimony was given so fast, and there were so many people talking at once, and they did not have a court stenographer or an official stenographer, and the man they had was unable to furnish a copy of it, and I never got the minutes of that meeting; but I did take the precaution, before the meeting opened, to ask the Attorney General if he would supply us with a copy of the minutes.

Mr. ASWELL. Were you the only importer that responded to that request.

Mr. LAMBORN. What request? The request for a copy of the minutes.

Mr. ASWELL. No; the request to import this sugar.

Mr. LAMBORN. So far as I know, of all the importers at that meeting we were the only ones. In fact, I am quite certain of that.

Mr. TEN EYCK. All the rest had been invited.

Mr. LAMBORN. All the rest were not only invited but importuned, and, as near as I can remember, beseeched, in the interest of the Government of the United States and the people of this country, to scour the earth and bring in sugars; and at that time not only I laid before Mr. Palmer, but others did the same thing, the tremendous risk we would be at. In fact, at that very meeting, my Philadelphia office telephoned me and made me an offer for 7,000 tons of raw sugar at 23½ cents per pound for centrifugal raw sugar from Cuba, and I made that offer to Czarnikow and to E. Atkins & Co., two of the very largest exporters of sugar from Cuba and also growers of sugar, and they both declined it, and of course, the Attorney General felt right away, if they would not take 23½ cents for raw sugar, where is the price of sugar going?

Mr. PURNELL. May I interrupt you right there? I am sorry I was called out and I did not get the full thread of your story, but at the time you suggested the possibility of a loss, did you follow that up with any discussion?

Mr. LAMBORN. I made this statement to him: I said, "You are limiting the importer to 1 cent a pound, and with the risk at the present prices, we have no pillow to fall back on in case the market breaks, and we believe that the price of sugar is now too high." They had their own statistician there and some one at that meeting remarked, "We have our own statistics and we have the departments of the United States to prepare these statistics," and naturally we were not going to be so immodest as to say that our own statistical department was of superior value to the country than the Department of Justice's statistics.

Mr. PURNELL. Did anybody on behalf of the Government directly or by innuendo suggest that if any loss was sustained, the Government would take care of it?

Mr. LAMBORN. The question of loss was not mentioned. At the time I made that statement I thought, and others undoubtedly felt the same way, because the whole spirit of the meeting was that the price was too high. At that time sugar was selling at 23½ cents and there were some sales made afterwards at 25 cents, but we termed the maximum price of raw sugar at that period to be 23½ cents a pound, which was the

highest price for 70 years. I stated to Mr. Palmer at that time, "If you ask us on our own credit to go to our banks and get credits to bring in enormous quantities of sugar from various parts of the earth, especially from the nethermost ends of the earth, like Java, where the principal white sugars are available, it would take 50 or 60 days to get them, and by that time the market could break, and if there was a decline we would have to stand that loss."

Mr. PURNELL. What was his reply to that?

Mr. LAMBORN. I can not, either in fact, or in substance, state what his reply was, but his attitude and, in fact, the subsequent attitude of the department, even under Mr. Riley in New York, was this: That the price must naturally advance; that there was going to be a definite scarcity of sugar not only then but in the fall and in the winter months; and in fact, as late as October 1 the statistician connected with Mr. Palmer's department issued statistics showing even at that time, when the market was utterly demoralized, when you could not sell sugar at any price to any one, either raw or refined, that there was going to be a shortage at the end of the year.

Mr. KINCHELOE. Right at that time there was no thought on your part of a loss. That was not discussed at all, was it?

Mr. LAMBORN. Now, you are putting my answer in a wrong way.

Mr. KINCHELOE. I am simply asking you whether or not that is true.

Mr. LAMBORN. In answer to that, I would say that we had definitely adopted a policy, as Lamborn & Co., not to import any additional refined sugars, white sugars or semirefined sugars. The department's attitude was that the price could not decline and they were there begging to bring in sugars, and when I say "begging" I mean literally begging us to bring the sugars in.

Mr. KINCHELOE. And therefore there was no discussion about a loss and no thought of a loss at that time; is not that true?

Mr. LAMBORN. I think I have made the statement here that we went back at the department and told Mr. Palmer at that time we did not feel like taking the risk and the responsibility on our credit with the banks and with our own money of bringing additional sugars in, on account of the fact that if the market went down, while we were only allowed 1 cent a pound profit on these sugars, yet we would have to suffer the loss, and he, as I say, I can not swear to it—I presume I am under oath; is that right, gentlemen?

Mr. KINCHELOE. No; you are not under oath.

Mr. LAMBORN. Well, my word is just as good as an oath, I hope. I can not swear that he in fact or in substance used the words, "the market can not go down," but the atmosphere was surcharged with that idea. There is no doubt of that whatsoever.

Mr. KINCHELOE. Did Mr. Palmer or anybody else on the part of the Government represent to you directly or by innuendo that the Government would stand any loss that might occur by reason of your bringing in this sugar?

Mr. LAMBORN. He did not.

Mr. ASWELL. Would he have had any authority to do that?

Mr. LAMBORN. That I do not know.

Mr. KINCHELOE. Would you allow me to ask you right here who prepared this brief?

Mr. LAMBORN. Mr. Hunt, here.

Mr. KINCHELOE. I notice on page 18 it says:

"There can be no possible question as to the legality of this plan to relieve the shortage of sugar as adopted by the Department of Justice. The former Attorney General in his hearing before the House Committee on Agriculture, page 38, states"—

Mr. LAMBORN. Where is that, please?

Mr. KINCHELOE. That is near the bottom of page 18:

"The present Attorney General agreed with the former Attorney General that the Government is legally and morally bound to pay on these obligations."

And then they quote a part of Mr. Tinch's questions. Now, that is not true, and is very unfair. First and foremost, if Mr. Palmer ever stated before this committee or any other committee in Congress that there was a legal obligation, I do not know anything about it.

Mr. LAMBORN. I think it is in the record, sir.

Mr. HUNT. I have only quoted his statement.

Mr. KINCHELOE. And now I want to show that you are unfair about this proposition to Mr. Daugherty. You say here that the present Attorney General agreed with the former Attorney General that the Government is legally and morally bound to pay on these obligations. On page 78 of these hearings, I said this to General Daugherty:



"Mr. KINCHELOE. General, do you think, as a matter of law, that if this American Trading Co. should go into a court of proper jurisdiction the court would hold that the contract undertaken to be entered into by the Department of Justice, with the acquiescence of the State Department, would not be an ultra vires contract?"

Mr. LAMBORN. We have quoted his statement here.

Mr. KINCHELOE. You first make the statement that both of the Attorneys General said that this was a legal obligation and a moral obligation.

Mr. LAMBORN. I think they both did.

Mr. KINCHELOE. Now, wait until I get through. Here is Mr. Daugherty's answer on page 78:

"Mr. DAUGHERTY. Of course that involves the question of what a court would do. I am giving my opinion. I think the court would look at all the facts and consider the vicissitudes of the country and the general authority of the Executive and the good faith of the transaction, and, as I say, I am rather of the opinion that if the court took jurisdiction, which it probably would, they would hold that there was a legal liability."

Then I asked him this question:

"Mr. KINCHELOE. The point I am making is, do you think they could get jurisdiction and have this adjusted in a court?"

"Mr. DAUGHERTY. I have not examined that question. That was not the question presented or considered. I will have to consider that as to where the jurisdiction would lie; if the court would entertain a suit of this kind I would think that the court would entertain jurisdiction, but I would not want to say that without looking it up and considering it carefully."

The Attorney General did not say there was a legal obligation and Mr. Palmer never has said that.

Mr. HUNT. In addition to that the Attorney General said that he would submit to the chairman of the committee a written report on the subject, and he did submit to Chairman Haugen a letter written by his assistant, Mr. Guy D. Goff.

Mr. KINCHELOE. Do you mean a letter signed by the Attorney General?

Mr. HUNT. Signed by his assistant, acting for him.

Mr. KINCHELOE. I am talking about Attorney General Daugherty, and not about some assistant he may have there. Now, if it is a legal obligation, and you evidently think it is from what you say in this brief, why do you come to the committees of Congress to get an appropriation? Why do you not go to the Court of Claims and fight it out there on its merits?

Mr. LAMBORN. Gentlemen, on page 19 of our brief we quote from the letter of Mr. Guy D. Goff, addressed to your committee chairman, in which he states:

"The Attorney General expressed the view before the committee—that there was an undeniable moral obligation, and, in his opinion, a legal obligation, upon the Government."

Mr. KINCHELOE. Yes; he did state that at first, and then he stated, after we examined him further—and I remember the gentleman from Indiana, Mr. Purnell, examining him upon that point—and he said that that was the first time that it had ever been stated before this committee that there was a legal obligation, and Mr. Purnell reminded him of the fact that Mr. Palmer had not said so, and then, if you will read his testimony, you will see that he still says it is a moral obligation, but he did not want to pass on the question of whether it was a legal obligation or not.

Mr. LAMBORN. I am not here to try to quarrel with you, sir, but this letter which Mr. Daugherty said he would send to the committee he perhaps did not write himself, but undoubtedly, in my opinion, he must have seen it and allowed Mr. Goff, the assistant to the Attorney General, to send it.

Mr. KINCHELOE. I have read you on page 78 what he said in answer to my question.

Mr. LAMBORN. But he had said he would send a letter to the chairman of the committee giving his views relative to the legal obligation, and this letter apparently is the reply, signed by his assistant.

Mr. TEN EYCK. I would like to ask you a question, Mr. Chairman. Did the Attorney General send a letter to you relating to this case as regards the legal obligation?

Mr. LAMBORN. No; this claim has never been before him.

The CHAIRMAN. Mr. Goff wrote a letter to a member of the committee.

Mr. HUNT. And I have a photostatic copy here of that letter.

Mr. TEN EYCK. I merely wanted to obtain that information in reference to this case because, as I understand it, when we considered the first claim it was understood that we were considering each claim separately. Was not that the understanding of the committee?

Mr. JONES. That was the understanding.

Mr. TINCER. But that would not bar these people from citing a letter used in connection with another claim.

Mr. TEN EYCK. No; but what I think is that these gentlemen ought to get a letter from the Attorney General in relation to this specific claim, because the committee, when it first sat on sugar matters, decided that they would hear each claim separately and upon its own merits.

Mr. LAMBORN. Very well. We have no—as you might use the term—lobby here.

Mr. TEN EYCK. I am simply doing this to clear up any misunderstanding.

Mr. LAMBORN. We have not the semblance of what might appear to be a lobby in Washington or elsewhere. I have never had the pleasure, so far as I know, of meeting a single member of this committee. I have not had the time to do it. We are putting our case here on its merits. If you wish us to go to the Attorney General and bring him down here, all right; but it seems to me that if we make a claim against the United States Government to you gentlemen, who are part of the Government with us, should use your own means of finding out and supporting the truth of our statements here.

Mr. TEN EYCK. I do not think you would have to see any member of this committee to explain anything to them personally outside of this room. I believe they all feel the same way that I do. Whatever your testimony is, we are going to decide the matter upon the information you put in here, honestly and truthfully, and endeavor to give everybody a square deal.

Mr. LAMBORN. I believe that, but what I mean to say is that we have not gone to the point of seeing these people. We have only asked Mr. Riley to come here, with whom we were in direct contact. Now, I put it to you; if you were in the sugar business, would you go to Mr. Palmer, or would you go to his assistant, who was notified that he was in entire charge of the sugar trade of the United States? We did not recognize Mr. Palmer.

Mr. TINCER. Nobody went to Palmer.

Mr. LAMBORN. We went to the man he had appointed. I do not know Mr. Palmer, except for meeting him that one day when he addressed us in regard to bringing in sugar, and I have tried to give you a correct view of the atmosphere of that room at that particular time. When it comes to what we did with Mr. Riley, we can state that later. He was the accredited agent, just as I say that when Mr. Daugherty said he would furnish the chairman of this committee with his opinion as to the legality of this transaction, not only this one which was not mentioned at that time but any other, I say that he would delegate that authority to his assistant, just the same as I, as the head of my firm, could not possibly find the time to have every one of the people buying sugar from us or selling sugar to us come to me personally. You asked me who, for instance, wrote this brief. It was not our general counsel. Our general counsel is entirely different from our business. They do not even know we have this resolution before Congress. They are very important lawyers, but we employed our own man, in our legal department, Mr. Hunt, who is a lawyer and who has done this work himself, to get up this statement of facts and to make it as limited as possible.

Mr. TEN EYCK. Let me explain this to you. As I understand it, you three men, Howell, DeRonde and yourself, are not making a joint claim in relation to a joint hearing before the Attorney General.

Mr. LAMBORN. Not at all.

Mr. TEN EYCK. Each one of you had a separate understanding, and therefore it is essential to my mind that each one of you should prove your case from the separate understanding you had with the Attorney General.

Mr. LAMBORN. Or his delegated authority.

Mr. TEN EYCK. And therefore his recommendation as regards one case does not necessarily apply to your case, because you had a separate understanding in relation to it.

Mr. TINCER. I suppose if he could prove his understanding, however, the committee would have intelligence enough to know whether a legal opinion on another understanding would have any bearing on it, and I supposed that was the object of including the legal opinion in the brief.

Mr. LAMBORN. Yes; that was all. If you want us to go to the expense of bringing a high-priced lawyer like Mr. Van Doren, our general counsel, here to give a legal opinion, and sit here by us we will have him come down here and direct us on this thing, but as far as I know, no member of the firm of Lamborn & Co. has gone to the general counsel regarding this matter. We have felt, as merchants, that if we were entitled to justice we would secure it here. We are not here trying to make a case at the expense of somebody else. Either we are entitled to this money which we lost because we were

directed practically, or if not directed, it was certainly strongly suggested to us to bring these sugars in.

Mr. RIDDICK. I would like to ask you two or three questions for my own information. You say it was strongly suggested to you that you bring these sugars in?

Mr. LAMBORN. It was more than strongly suggested.

Mr. RIDDICK. At this meeting?

Mr. LAMBORN. At this meeting in Washington on May 21, 1920.

Mr. RIDDICK. Then you brought in the sugar and you faced a loss and then you say that you stopped bringing the sugar in. Is it not true that if you had known and had had full assurance that the Government was going to stop importing sugar, but you stopped because you figured it was to be your loss?

Mr. LAMBORN. Let me answer you in this way: If we had been left to our own initiative, we would not have brought the sugar in. Of course, I can not state how the human mind might work, but so far as I believe, we would not have brought any sugar in, and we did not, as far as I know, bring in a single pound of sugar or purchase a single pound of sugar during that year, for our own account, beyond this sugar. Therefore, I say we were under great pressure by the Government to bring this particular sugar in.

Mr. KINCHELOE. I do not think that is responsive.

Mr. RIDDICK. I think there is no manner of doubt but you were under pressure by the Government to bring in this sugar, just as the wheat raisers of the country were under pressure to raise wheat, and yet no wheat raiser has had the audacity to come in here and say, "The Government insisted that we raise wheat and we suffered a loss and therefore the Government must pay us." I would like to have you explain the difference in those cases.

Mr. LAMBORN. I do not know that we are audacious in coming in here and presenting our claim, but I will say that if we had not been importuned by the Department of Justice, we would not have brought in this sugar or any other sugar, nor did we purchase any other sugar after this sugar.

Mr. RIDDICK. But all patriotic people were carrying on, and many of them sustained losses in their carrying on in behalf of the Government in the management of the war and all that sort of thing.

Mr. LAMBORN. Regarding the word "patriotism" I presume it is used here frequently, but I do recall making this statement to the Attorney General. When he appealed to our patriotism, I said, "I wish you would appeal to us on our sense of duty as merchants toward these people rather than patriotism."

Mr. RIDDICK. But the thing that is not clear in my mind is whether you were induced to bring this sugar in on account of representations by the Government that they would take care of the losses, or were you just urged to bring it in as merchants?

Mr. LAMBORN. I have stated twice that we were not guaranteed against loss. We were urged to bring in the sugar to aid the people of the United States in preserving their fruit and in supplying them with sugar.

Mr. RIDDICK. Was there any thought at this time on your part or on the part of the other people that the Government would take care of your losses—was there any implied contract?

Mr. LAMBORN. No; I have answered that question twice.

Mr. KINCHELOE. Then why does your attorney maintain that it is a legal obligation?

Mr. LAMBORN. I have not said that our attorney maintains that. Mr. Hunt is not our general counsel. He is an employee of Lamborn & Co.

Mr. KINCHELOE. He is the one who prepared this brief. If there is not any agreement, either express or implied, with any agent of the Government to reimburse you for any loss you may have sustained, how can get you a legal obligation out of it?

Mr. LAMBORN. I am not a lawyer, and I presume you may be, but again I refer you to the statements made by the Attorney General, Mr. Palmer, and also by the Attorney General, Mr. Daugherty, and by Mr. Goff.

Mr. KINCHELOE. I am very familiar with those statements. If it is a legal obligation, why not go to the Court of Claims and adjudicate your matter there instead of coming to Congress?

Mr. HUNT. Let me state right there that Mr. Lamborn has only started giving you the gist of the conversations he had with the Department of Justice. He just told you about the first conversation, and he is going ahead—

Mr. KINCHELOE (interposing). Oh, no; I asked him if, at any time, the Attorney General or anybody representing the Government even by innuendo promised to pay any loss that might be sustained, and he said no, and I think he is right.

Mr. ASWELL. May I interrupt just a moment? The former Attorney General and the present Attorney General both convinced me personally that in these other cases there was a moral obligation.

Mr. KINCHELOE. They both said that—

Mr. ASWELL (interposing). On the part of the Government, but in no case did either the former or the present Attorney General assert, and stand by it, that there was any legal obligation; therefore, I think that this brief should be corrected.

Mr. HUNT. I presume you have before the committee the letter written by Guy . . . Goff, the Assistant Attorney General?

Mr. KINCHELOE. I have it right here before me.

Mr. TINCHER. It is printed in the hearings and has been read here and we are all familiar with it.

Mr. ASWELL. And the former Attorney General made it plain that there was a moral obligation on the part of the Government but not a legal obligation.

Mr. JONES. We are not bound by what is in the brief, anyway.

Mr. LAMBORN. I think he did.

Mr. ASWELL. Well, read it to us.

Mr. KINCHELOE. The letter says that in view of the peculiar obligations it seems to the department that legislation should be passed whether it is a legal liability or not, and it does not say anything even in that letter about its being a legal obligation. They both said there was a moral obligation and they still say that.

of Mr. ASWELL. If you are going to print this pamphlet for the benefit of the Members of the House, that ought to be corrected.

Mr. LAMBORN. I am quite sure that Attorney General Palmer stated that in his opinion there was a legal obligation.

Mr. ASWELL. Well, find it.

Mr. KINCHELOE. I would like you to find that, if it is in there.

Mr. HUNT. I might state to the committee that we have quoted from both Attorneys General and their words speak for themselves, whatever the statements are.

Mr. ASWELL. But you say it is a legal obligation.

Mr. HUNT. That is my personal opinion based on these statements.

Mr. ASWELL. But they did not say that.

Mr. HUNT. Their own quotations speak for themselves.

Mr. JONES. I do not think any member of the committee has seriously felt that any one of these claims was a legal obligation, and I do not think any one of the claims heretofore has seriously been considered as a legal obligation, and I do not think the issue will turn on that at all, because I do not believe there are a half dozen Members of Congress who would consider any one of these claims as a legal obligation. The whole question is whether they are moral obligations, and therefore I do not think this is a material matter at all.

Mr. RIDDICK. If they were legal obligations, this would not be the place to adjudicate them.

Mr. PURNELL. No.

Mr. JONES. And therefore it is an academic question.

Mr. KINCHELOE. And if their counsel thought it was a legal obligation, it would be before the Court of Claims instead of before this committee.

Mr. JONES. Of course.

Mr. TINCHER. But a man ought not to be debarred from his rights even if counsel should not know what they are.

Mr. LAMBORN. I do not know the difference between lawful and legal, but here is a quotation from former Attorney General Palmer in his hearing before this committee: "I say it was a lawful plan; therefore a proper plan."

If any of you are lawyers, you can tell me about that.

Mr. ASWELL. He was discussing the procedure of the Department of Justice, and was not discussing these claims.

Mr. TINCHER. We were questioning their right to go into it, inasmuch as we had a Sugar Equalization Board.

Mr. PURNELL. That did not involve the legality of the claim before the committee. I grant you that if you take Mr. Daugherty's statement, not in connection with subsequent cross-examination which I conducted in part and which some of the other gentlemen conducted, I can very readily convince you that he did say that one or two of these claims were legal obligations, but I think you would find that he backed up on that just a little bit.

Mr. HUNT. Is it not a fact that he told the chairman of the committee that he would go over all the facts on the Howell and American Trading Co. claim and then would submit his opinion as to whether it was a legal obligation, and is not the letter of January 17 to the chairman from the Assistant Attorney General for the purpose of fulfilling that promise?

Mr. KINCHELOE. It was dated January 5.

Mr. HUNT. No; January 17. Here is a photostatic copy of the letter.

Mr. LAMBORN. Gentlemen, to simplify the matter, let me say that I have not a legal mind. I am a plain business man, and until 1920, when these repudiations came about, we did not have to employ general counsel, who sometimes had to work as long as eight days with 8-hour shifts of eight stenographers in order to work us out of some of these difficulties. If you feel that the question of legality should not be discussed by me, I am not going to put myself on the same basis as a man with a legally framed mind, and I will eliminate that, and if the people of the United States should pay this claim on moral grounds, let them pay it.

Mr. PURNELL. That ought to be the basis of your request.

Mr. TINCHER. You understand that if they were legal obligations you would not present them here.

Mr. JONES. They would go to the Court of Claims.

Mr. LAMBORN. Yes.

Mr. VOIGT. Mr. Lamborn, may I ask you a question or two? Did you get all of your sugar out of the Argentine?

Mr. LAMBORN. Yes, sir. We only bought 2,000 tons or thereabouts. It was bought probably as a little less than 2,100 tons. I notice the weight was a little less than 2,100 tons. We bought 2,000 tons, but the contract may have provided for 5 per cent more or less, as is customary in making sugar contracts.

Mr. VOIGT. Your sugar all came promptly to the United States without any hindrance?

Mr. LAMBORN. Without any hindrance whatever. We bought it through our own office, Lamborn & Co., in Buenos Aires.

Mr. PURNELL. The embargo had already been lifted?

Mr. LAMBORN. As far as we know, although it appears from the testimony produced here that the embargo was not lifted until long afterwards, but our sugar did go out and was shipped from Rosario on the 15th of June, and on the 25th of June the same steamer loaded the balance at Buenos Aires; but it appears from the record here and the testimony of other people that they had difficulty long after our sugar was being loaded and shipped in getting their licenses.

Mr. KINCHELOE. How much was it contemplated you were going to deliver in this country?

Mr. LAMBORN. Two thousand tons.

Mr. KINCHELOE. How much did you deliver?

Mr. LAMBORN. Two thousand tons.

Mr. KINCHELOE. You delivered the whole amount?

Mr. LAMBORN. Yes, sir.

Mr. KINCHELOE. And none of it that you contracted to deliver, after the price went down, was sold in the Argentine?

Mr. LAMBORN. No, sir; none at all, nor did we attempt to sell it in the Argentine.

Mr. TINCHER. The statement has been made here that the Government could very well afford to pay these claims because of the fact that the people really profited by the fact that the importation of this sugar or the talk of importing it, really broke the sugar market in this country. I suppose it would be your contention that your company, having the sugar here and having it on the market or trying to peddle it on the market, if anyone with Argentine sugar had anything to do with breaking the market, you were certainly instrumental in doing that?

Mr. LAMBORN. I am not going to make any mental speculation on that. I can only say this, the market did break and the psychology of the situation was that much more sugar was in the hands of the housewife, in the hands of the manufacturer, and in the hands of the jobbers, than anyone dreamed of. Every refinery, day by day, was absolutely bare of sugar as night came. There was a demand for ten times the amount of sugar available during that period. What happened was that the exploitation of the sugar shortage made everybody, your wives, my wife, everyone who used sugar, either in their home life or for canning purposes, say, "We have got to buy our sugar now." The result was that everybody tried to buy sugar at one particular time and instead of there being an orderly market, which probably would not have sustained an advance of more than 1 cent based on the economic situation in sugar throughout the world at that particular time, the fact that there were 1,000 buyers where there ordinarily would be 100, or 20 buyers where ordinarily there would be 2, made the market go up so fast; in other words, the retail grocer would get orders from everyone in his community and he would give the orders to his wholesale grocer, and he would say, "This is unusual; instead of having orders for 100 barrels of sugar, I have orders for 500," and the result was that instead of ordering 100 he would order

500, and the result was that he went into many channels of trade that were new to him.

The wholesaler who would ordinarily order his sugar from my firm, would go to my competitor or would go to anybody's competitors and try to buy sugar, and people in Savannah were buying sugar from New Orleans and people in Chicago were buying sugar from parts in the country that they never theretofore had bought sugar, and they were buying any kind of sugar. Even raw sugars were actually sold to some extent for domestic consumption, and even washed turbinado sugar, that never had any market in this country before, was accepted at high prices.

Mr. McLAUGHLIN of Michigan. Mr Chairman, I think all of us have a pretty good idea of what the situation in the sugar market was, and it seems to me the only thing that is relevant here is the relation of these gentlemen with the Government. If the situation were not half as bad as stated or if it were ten times as bad, the one point remains, what was their relation with the Government; did they have a contract, express or implied; was there a legal or a moral obligation; and on what testimony do we found that situation?

Mr. LAMBORN. But when the gentlemen ask me questions, I must go ahead and answer them.

Mr. McLAUGHLIN of Michigan. We are filling the record with a lot of testimony which is very interesting, and I do not blame the witness for giving it, but I think every one will agree that it is not a all material. We know there was a shortage of sugar and a very acute situation.

Mr. LAMBORN. If the chairman will instruct me to only answer question in regard to my relations with the Department of Justice, I will confine myself absolutely to that.

Mr. TINCHER. While the gentleman from Michigan was out of the room, there was a statement which went into the record which I think might be confusing, concerning the fact that you were permitted to take sugar out of the Argentine. It might look as if some other parties were not permitted to do that. Do you know whether, as a matter of fact, the embargo on taking sugar out of the Argentine was a conditional embargo, under which any one could remove sugar from the Argentine by purchasing certain classes of sugar and leaving a certain percentage, and you do not know but what your company did that, do you?

Mr. LAMBORN. I know that Lamborn & Co. in Buenos Aires did not, but probably the people they bought from, namely, Moss & Co., the people who represented the great refiners of the Argentine, and Portellis, one of the great refiners down there, sold the sugar to us for prompt shipment. Whether they reserved 30 per cent of pile sugar for home consumption or not, I do not know. I presume they did, because the edict of the President, Irigoyen, signed by all the members of the cabinet, indicated they must reserve 30 per cent.

Mr. TINCHER. And that is probably the explanation for your being able to get the sugar out of the Argentine?

Mr. LAMBORN. I presume it is, but I do not know. Nothing special was done by us, I know.

Mr. ASWELL. And also there was the further fact that you maintain offices there?

Mr. LAMBORN. Yes, sir; we had our own office.

Mr. ASWELL. And shipped it from your own offices?

Mr. PURNELL. I just want to ask you one question, which, I think is directly to the point: you have been in business for a number of years—

Mr. LAMBORN (interposing). Thirty years in New York alone.

Mr. PURNELL. And I want to know if you regard it as the act of a good business man to enter into an arrangement of this kind, involving the amount of money which it does involve—

Mr. LAMBORN (interposing). I think—

Mr. PURNELL (interposing). Just a minute, please. Without having some definite, businesslike understanding as to what would happen in case of a loss?

Mr. LAMBORN. I think I have made quite clear my attitude before the Attorney General and his assistants in Washington. We did not think it was good business, but you must recall, as I said before, that anyone in the sugar business, whether he was a refiner, a merchant, a broker, an importer, a wholesaler, or a retailer, was continually plagued, either mentally plagued or plagued by the department or by newspaper reports. We were ashamed to even meet our friends because they would feel that everyone was profiteering on sugar. Naturally, the pressure was very great. Ordinarily I would say, "Certainly not," and if you asked me the question as an individual or as a Member of Congress, I would say that I certainly would not do it, but here the Department of Justice had absolute charge of the sugar industry of the United States, and they were using very great pressure in every line, not only against

people profiteering or possibly profiteering, but also to bring in sugar here at a time when we, as merchants, did not believe the market justified it.

Mr. PURNELL. Then, in other words, if the interests of the Government and the people had not been involved, you would not have undertaken this thing—

Mr. LAMBORN. We certainly would not.

Mr. PURNELL (continuing). As a business proposition, on your own initiative?

Mr. LAMBORN. We certainly would not, and that is the only reason I say there is a moral obligation. The question of legality, I told you, I will dismiss, because I do not presume to be a lawyer.

Mr. PURNELL. That ought to be the basis of the moral obligation, if there is one.

Mr. RIDDICK. I am not able to understand why, as a business man, knowing the business and recognizing that there probably would be a loss, you would go ahead and sustain this loss without having some arrangement for it to be absorbed.

Mr. LAMBORN. You are assuming I thought there would probably be a loss. Had we been left to our own initiative, we would certainly have entertained that view. At that time we did feel that the market was high enough and too high; nevertheless, as I told you, right in the Department of Justice, I made a bid from our Philadelphia office, which was sent by telephone, for 50,000 bags, or 7,000 tons, to the importers sitting there, at the highest price that raw had sold in 70 years, and they all declined it. Now, regardless of what my opinion was, we had the actual attitude of the Department of Justice, with the head of the Department of Justice there, and we had the importers there at the same time, who were importing and producing raw sugar, refusing the highest price that had been known here in 70 years. Therefore, I say that ordinarily I would not have considered, as a business man, such a thing; but under the circumstances, yes.

Mr. RIDDICK. In other words, you made a bad bargain in reference to this sugar, expecting there would probably be a loss, and yet you made no arrangements to take up that loss?

Mr. LAMBORN. I beg your pardon. I do not know how I am going to make it clearer. We did not anticipate a loss. We believed before we went to that meeting and we believed subsequently that the market was too high, and as I have said, left to our own initiative, we would not have purchased that sugar, but when they not only spoke of their own statistical department but urged and implored us, practically, to bring in this sugar, naturally our mental attitude changed.

Mr. KINCHELOE. Let me ask you this question: You speak of a moral obligation. As you know, during the war the price of wheat for the farmer was fixed by the Government at about \$2.20, and he had absolutely nothing to say about it. He was urged and implored to raise the wheat at that price when, of course, if it had not been fixed there is no telling how high the price would have gone.

Mr. LAMBORN. Your argument may be on straight lines, but it is not on parallel lines.

Mr. KINCHELOE. Wait a moment; you do not know what my conclusion is. They went to thousands of farmers and caused them to raise millions of bushels of wheat in this country. They could have gotten \$3.50 or \$4 a bushel, but by reason of a law passed by Congress they were limited to \$2.20 or practically that on the Chicago market, so, of course, there was a loss of the difference between \$3.50, say, and \$2.20. Do you not think, as a matter of justice and as a moral obligation on the part of the Government, they would be just as much entitled to that difference that they lost by reason of an act of Congress, not by the persuasion of any official of the Government, as was true in your case and these other claims pending here?

Mr. LAMBORN. Assuming your hypothesis is correct, I would say they had just the same right to a claim, but I do not agree with you because I do not think anybody in this room or anyone but God Almighty knows how the market would have been with an open market. Here the market to-day on sugar is open.

Mr. TINCER. We know how the market was. We know the market was over \$3 for wheat and over night, by an act of Congress, they reduced the price over 70 cents a bushel.

Mr. LAMBORN. But the price might have gone to \$10 a bushel or \$1. We know that raw sugar on the 21st day of May, 1920, was 23½ cents bid, and we know that on December 23 of that same year the price was 3¼ cents.

Mr. KINCHELOE. I would like to finish my question. You say that moral obligation would be just as just as yours, if my hypothesis is correct. Now, wherein is my hypothesis wrong?

Mr. LAMBORN. I do not know. I can not answer a very carefully drawn question like that without giving it study, and I am not here to discuss anything except our own claims, unless you desire me to give an opinion that is worthless to you and does not mean anything to me.

Mr. KINCHELOE. I was just figuring here that that is only one instance where thousands of people lost money during the war.

Mr. ASWELL. Your question is answered by referring to the record of what the price of wheat was after the fixed price expired.

Mr. KINCHELOE. Oh, no; wheat was bringing over \$3 a bushel at the time the law was passed.

Mr. ASWELL. After the law expired, what happened to it? It went below the fixed price.

Mr. KINCHELOE. Certainly; but in the meantime the people who had this wheat to sell lost that differential, and I think that constitutes as just a claim as these sugar claims.

Mr. LAMBORN. May I answer your question? You asked me a question that requires some intelligent thought. I can not answer the question without thinking it over, and let me answer you by saying that while you may mean your hypothesis to be correct, yet it is wrong. You do not know, because no one except God could know, whether the farmer lost money. Did he lose money at \$2.20 or would he have made more if the price had gone to \$4? For instance, take the situation in Louisiana. In October, 1919, the Attorney General permitted Louisiana raw sugars to be sold at 17 cents a pound and Louisiana clarifieds at 18 cents a pound, at a time when Cuban sugars were selling at 7 $\frac{1}{2}$  cents a pound, and he did it because the Louisiana planters said they would be ruined if he did not do it. Last year they sold these same sugars from 3 $\frac{1}{2}$  or less than that a pound, and they were not ruined. Now, would they have been ruined the year before? They simply made a great deal more money in October, 1919, and in 1920 than they made last year. They may have been badly bent, but they were not ruined because they are still there and they are going to make their crop there.

Mr. KINCHELOE. Do you think that is an intelligent answer to my question?

Mr. LAMBORN. I think it is the best answer I can give you offhand. You may have studied this question in connection with wheat. But I have not studied it, and I do not think I should go into things I know nothing about. I can give you an intelligent answer in reference to sugar.

Mr. KINCHELOE. Yet you seem to know something about it because you say my hypothesis is wrong.

Mr. LAMBORN. I did not mean to say that.

Mr. KINCHELOE. I am telling you that when this Congress passed the law fixing the price of a bushel of wheat at \$2.20, the farmer was getting over \$3 a bushel for his wheat.

Mr. LAMBORN. Did he lose money at \$2.20? I do not know.

Mr. TINCHER. Take the fellow who, before the price was fixed at \$2.20, had 100,000 bushels of wheat that were worth \$3 a bushel.

Mr. LAMBORN. He lost.

Mr. KINCHELOE. He has not got any bills here asking somebody to pay him.

Mr. LAMBORN. I do not want to be drawn into a discussion of something I do not know anything about.

Mr. TINCHER. I simply want to get that matter straightened out in the record.

Mr. TEN EYCK. Do you consider your understanding with the Attorney General and the Government was the same understanding as that with Howell & Co. and the De Ronde Co.?

Mr. LAMBORN. I do not know what their understanding was, except what I have seen here in the hearings. I am not going to bring the matter into a question of mental speculation or moral obligation. I know how I have conducted my business, and I am trying to state what happened if you will allow me.

Before this meeting was held, Mr. Palmer, the Attorney General, asked us if we would not appoint a committee of the importers and arrange to bring in the sugar. I said we do not want it. We are competitors. I said that while it was true we would still compete with each other, we were running our own business. I said, "You should appoint a committee." He said, "I do not know you gentlemen; I do not know who is best able to work with the department." After some discussion I suggested Mr. Rionda, of the Czarnikow Rionda Co., who was present, that company being the largest importers and producers of sugar in the world. Then somebody else suggested the representative of the Minford Lueder & Co., another firm of large importers, and then the representative of Lamborn & Co. was suggested. That committee was named to work with the Department of Justice in order to find out what supplies of sugar there were available in the world.

In the following week. I think it was on the 25th of May, Mr. Armin W. Riley, who is here this morning, and who was Mr. Palmer's assistant, absolutely in charge—Mr.



Figg was no longer in charge; we were told Mr. Riley would be appointed—Mr. Riley arranged to have a meeting in his office in New York of the committee of importers, and there was a discussion of the question of the importation of the sugar from the Argentine, and he asked us if we could bring in some of that sugar.

We had a further meeting, early in June, at the office of the Department of Justice in the post office building in New York. This time some of the members of these firms—I can not remember just who the representatives were—met Mr. Riley, and he had his statistician there. Mr. Riley urged us to bring in the sugar from the Argentine. That was on the 7th of June. I walked down the street with my partner, Mr. Tameling, and I said, "We have already gone at this, and I do not like the looks of the market." Mr. Riley had a department statistician with him in the second meeting and this statistician presented figures that we did not agree with. He said those were the Government figures he had, but we did not agree with them.

Mr. McLAUGHLIN of Michigan. Have you put into the record to-day the dates and amounts of your importations of sugar, that is the dates and amounts of the shipments into the United States?

Mr. LAMBORN. I think that is all here.

Mr. HUNT. The complete correspondence covering the contracts, and photostatic copies of the ocean bills of lading, the shipping invoices, and all other data of that kind are here.

The CHAIRMAN. When was it shipped?

Mr. LAMBORN. It is all in the record. One thousand tons were shipped from Rosario, Argentina, on June 5, and the second thousand tons were shipped by the same steamer from Buenos Aires on June 25, and arrived in New York on July 21, 1920.

Mr. McLAUGHLIN of Michigan. I asked if you could give the dates of your purchases in the Argentine, and the amounts purchased each time, together with the dates of shipment and arrival in the United States.

Mr. LAMBORN. It is all in the record.

Mr. McLAUGHLIN of Michigan. Has it been put in the record this morning?

Mr. LAMBORN. I am now putting it in.

Mr. KINCHELOE. I understood it was going in the record.

Mr. LAMBORN. The second 2,000 tons were shipped on the same steamer.

The CHAIRMAN. On June 15?

Mr. LAMBORN. It was shipped from Buenos Aires on June 25.

Mr. McLAUGHLIN of Michigan. When did you buy it, and in what quantities?

Mr. HUNT. We bought the first 1,000 tons on May 25, and it was finally placed on board the vessel on June 15, at Rosario. In the case of the second 1,000 the contract was finally closed on June 15, and that sugar was completely placed on board on June 25, at Buenos Aires. The vessel sailed from there and arrived in New York on July 21. Those were two shipments on one vessel. All of the documents showing the quantities are in the brief, which has been made a part of the record.

Mr. KINCHELOE. What do you claim you lost approximately?

Mr. HUNT. The amount is approximately \$570,000. Because we got the sugar in promptly and because we shipped it out promptly our loss is not nearly so great as the loss of other claimants.

Mr. KINCHELOE. What did you do with it?

Mr. LAMBORN. We shipped it to our agents and had them sell it right away; that is, what we had not contracted for sale. When we made the original contract on the first 1,000 tons, we wanted to get a contract to resell all of it if we could. We resold by contract for future delivery a part of the first 1,000 tons. The statistics on that sale you will find in full in our brief.

We could not sell the second 1,000 tons because it was contracted for so late. A part of the first and all of the second 1,000 tons had to be sent out and sold at the best possible price.

Mr. TEN EYCK. Did you have any trouble in transporting the sugar from Argentina to the United States? Did anyone stop you?

Mr. LAMBORN. No; we made this importation under the general export permit which was issued by the Argentine Government on May 22, 1920. We made it on the same permit as Mr. De Ronde. The American Trading Co. made their importation on a special permit under the terms of which they would not have to put in the 30 per cent pile type sugar.

The CHAIRMAN. Their statement is that the permit was not issued until the 23d of June. That the application was made on the 11th. You said you had a permit and had no trouble in making the importation.

Mr. LAMBORN. I think you might read the hearings which have taken place before this committee and the committee of the Senate, and you will find that this is the fact—or it seems to me this is the fact: The American Trading Co. and Howell arranged

for their importations under what was known as a special export permit. They did not come in under the general export permit for 100,000 tons. They were getting a special permit which would permit them to export sugar without putting up a deposit of 30 per cent of the pile sugar. On the other hand the release of the embargo by general permit came on the 22d of May. That has been put in the record. Ourselves and Mr. De Ronde according to his statement, imported under that permit.

Mr. ASWELL. It was a general permit, was it?

Mr. LAMBORN. They were entitled to the same permit; there was no question about that.

Mr. McLAUGHLIN of Michigan. To comply with the conditions for a permit anyone had to deposit this proportion of sugar?

Mr. LAMBORN. Thirty per cent of pelet.

Mr. McLAUGHLIN of Michigan. The American Trading Co., you say, got a permit for bringing out that sugar without complying with that condition?

Mr. LAMBORN. Yes, sir; because after we had felt we had complied with that special permit they could not get their sugar out of the Argentine until about the middle of August, because their permit did not come through.

The CHAIRMAN. It was the 23d of June, was it not?

Mr. LAMBORN. No, I think not.

Mr. HUNT. They did not ship it on the 23d of June.

The CHAIRMAN. There seem to be some conflicting statements, and I would like to have the matter cleared up so we will know what the delay was.

Mr. LAMBORN. We can not tell you why it was that they did not have to deposit the 30 per cent of pelet.

The CHAIRMAN. That required a special permit?

Mr. LAMBORN. Yes.

The CHAIRMAN. If they had put up the 30 per cent—

Mr. LAMBORN (interposing). They could have had their sugar at first. How we came to bring our sugar out so quickly I do not know, unless the people from whom we bought it had other sugar which they could put aside so that our sugar was ready for shipment early.

Mr. ASWELL. This gentleman said you lost something over \$500,000. What evidence have you to present proving your claim accurately?

Mr. LAMBORN. We have the sworn statement of our comptroller, and you can send anybody from this committee to examine our books and records.

The CHAIRMAN. He has also listed the purchasers.

Mr. LAMBORN. That is only part of it. Those are the purchasers who bought by contract.

Mr. ASWELL. The statement of losses will prove it?

Mr. TINCER. Speaking of the Franklin special permit, I suppose the question of whether you needed a special permit to export sugar from the Argentine depended upon whom you purchased the sugar from. You speak of your people purchasing the sugar and having to deposit 30 per cent with the Argentine. The American Trading Co. had a company of their own that they purchased of, had they not?

Mr. LAMBORN. We did not purchase this sugar from our own company. We gave the order to our own company and they bought it for our account in New York. How the American Trading Co. operated I do not know. They have their own purchasing agents the same as we do. Whether their methods were less capable than ours I do not know.

Mr. TINCER. Was their delay in exporting their sugar due to the fact that they wanted to purchase the sugar of their own company in the Argentine?

Mr. LAMBORN. I would doubt if they would purchase it of their own company. I think they probably sent their order to their own company, and that company went into the market, because they are not producers and refiners of sugar.

Mr. HUNT. It was our understanding from the advances made by the Department of Justice that the whole proposition was to get the sugar in as rapidly as possible. There was a shortage in sugar and the Department of Justice wanted to relieve the shortage. So we made our plans to purchase and make the shipments at once as we understood that time was the essence of the contract. We were one of the first importers to bring it in.

Mr. TEN EYCK. Is that the reason why both of you acted differently—

Mr. LAMBORN (interposing). We do not know that we did.

Mr. TEN EYCK. You just stated—

Mr. LAMBORN (interposing). As I have just stated, they may have done so.

Mr. TEN EYCK. Is it not your view that each of you had two different agreements with the Government?

Mr. LAMBORN. We had no agreement with the Government in the Argentine. I do not know what agreement they had with the Government here.

Mr. TEN EYCK. You had a different agreement with the Government in regard to how the sugar should be brought out.

Mr. LAMBORN. Which Government are you referring to?

Mr. TEN EYCK. A different agreement with the United States Government as to how the sugar should be brought from the Argentine.

The CHAIRMAN. Mr. Figg's letter will explain it.

Mr. LAMBORN. I do not think we ought to speculate as to what the American Trading Co. did.

The CHAIRMAN. It states: "After talking this over with your representative, Mr. Linn, and Mr. Giddings, it was deemed advisable that your agent already on the ground should be advised to contract for or buy as much of the entire surplus as possible before any further request was made that the embargo be lifted, as, of course, upon the general knowledge that this has been done will create a speculative market."

It was to prevent speculation on the market; so it does not seem to me it is the fault of the Government in not getting the embargo off.

Mr. TEN EYCK. It has been stated here by the witness that the reason why one company did not bring the sugar out until a later date and the other company brought it out earlier was due to the fact that each was operating under a different agreement with the United States Government.

Mr. LAMBORN. I did not say that.

Mr. TINCHER. No one stated that but the gentleman from New York.

Mr. TEN EYCK. The gentleman made the statement that one of the importers from the Argentine was not required to put up 30 per cent of the pile sugar, and he brought out the fact that the other company was under another agreement. If that is the case, they were both working under different agreements.

Mr. KINCHELOE. That was a regulation of the Argentine Government or a requirement of their regulations.

Mr. TEN EYCK. It was a regulation between the United States Government and the Argentine Government as to how this sugar was to be brought out.

Mr. HUNT. When the American Trading Co.—and I get this only from reading the testimony—when the American Trading Co. started to make importations there was no general export permit. Therefore, if they made their shipments at all from the Argentine and imported sugar here they would have to do it under a special permit. While they were dickering for this special permit the general permit was issued on May 22.

Mr. TEN EYCK. On what date?

Mr. HUNT. On May 22.

Mr. TINCHER. That general permit required a deposit of 30 per cent of pile sugar.

Mr. LAMBORN. Yes.

Mr. TINCHER. The American Trading Co. did not wish to comply with that condition?

Mr. LAMBORN. I presume that is so.

Mr. KINCHELOE. That was a regulation of the Argentine Government.

Mr. LAMBORN. Yes; you will find that in our brief. May I interject this remark at this point, because I think we are speaking of the moral obligation. While I am on that point I would like to call attention to the fact that some one would have taken these losses if the merchant who brought in the sugar had not done so. I have been the agent of the royal commission on the sugar supply of Great Britain and all of her allies, and was their personal representative during the period of the war, and handled all of the sugar shipped out from the United States and Cuba for Great Britain, France, and Italy, during all of that period. They acted as buyers of raw and refined sugar. They had their own people working, including the greatest sugar men in Great Britain, Mr. J. J. Runge, who is supposed to be a master mind on raw sugar, and Sir Robert Park Lyle, who was supposed to be the master mind in the sugar-refining industry of Great Britain. They were not merely local men, but supposed to be the greatest men in their business in that country, and still they purchased the Mauritius crop of approximately 200,000 tons in the early part of 1920 at about 16 cents a pound, and they lost in that year, in supplying the Government of the United Kingdom, over £25,000,000. That was in one year, 1920. If we were to make a claim on sugar that we brought in on our own initiative it would be enormously greater than the amount of our claim, and we would be criticized severely. And I think if the Department of Justice, without skilled merchants in sugar, had gone out to buy sugar after the rise took place—I am speaking of the time after the President was offered this proposition—the Government would have had untold millions of dollars of loss. Therefore,

I say, if there is no moral obligation—I want you to consider that—if there is no moral obligation I do not want a cent.

The CHAIRMAN. You spoke of buying from the refiners. Do you buy direct and sell direct?

Mr. LAMBORN. In the United States we act as brokers selling for the refiners to the trade throughout the United States.

The CHAIRMAN. On commission?

Mr. LAMBORN. On brokerage, not commission. We act as merchants when we buy sugar for export. This year we have bought a great many thousands of tons of refined granulated sugar. We buy that as merchants and sell it to merchants throughout the world.

The CHAIRMAN. How would you define brokerage?

Mr. LAMBORN. The broker, buying and selling for the refiner, and the wholesale grocers—

The CHAIRMAN (interposing). That is on commission?

Mr. LAMBORN. That is on brokerage. There is a difference between brokerage and commission. With commission there is a risk; usually with brokerage there is no risk. When we sell refined sugar to the trade we keep them posted on the raw sugar and the refined sugar market. They send us orders for refined sugar and we buy sugar from the various refineries in different places and we buy that sugar in their names—that is, in the names of the jobbers—and the refinery ships the sugar to the jobber, and the refinery pays us brokerage. When we buy the sugar for export, buying in our own name, we buy from the various refineries in very large quantities, and we cable our information regarding our prices, and the orders come to us. We bill that sugar to the parties abroad.

The CHAIRMAN. The broker does not carry any responsibility?

Mr. LAMBORN. The broker does not carry any responsibility.

The CHAIRMAN. But the merchant does?

Mr. LAMBORN. Yes.

The CHAIRMAN. What about the commission?

Mr. LAMBORN. We make a differentiation between ourselves and commission merchants. We say that these other people are commission merchants in America, and that we are brokers. They are paid a commission for handling all of the raw sugar and they finance or pay for same and charge interest at certain rates. They get paid the ruling rate of interest for the money loaned and they get a commission of a certain percentage of the price of the sugar for the handling.

The CHAIRMAN. There is a possible loss in financing?

Mr. LAMBORN. In that case they do not take any financial risk, but they do have to supply the money.

The CHAIRMAN. Generally speaking.

Mr. LAMBORN. Generally speaking, in my definition, we have not got any financial risk. That is the way we handle business in the United States.

The CHAIRMAN. And the commission merchant has a financial risk.

Mr. LAMBORN. The commission merchant, as I understand it, does not have a financial risk, except that it supplies the money to the refiner or to the producer.

The CHAIRMAN. If he supplies the money it would require some liability.

Mr. LAMBORN. It would be a minimum liability.

Mr. SINCLAIR. There is no brokerage in this bill.

Mr. LAMBORN. No; we sold it through brokers.

Mr. KINCHELOE. When did you first discover that you were going to have a loss?

Mr. LAMBORN. I think the market commenced to break about the 1st of July. It was a question of whether we knew then or not. We did not know there was going to be a loss until we actually came to sell the sugar and we knew early in July that the trade would not buy standard granulated sugar—or during the latter part of June we knew it.

Mr. KINCHELOE. What was the first action you took to recoup your loss?

Mr. LAMBORN. We immediately sent sugar on consignment to our agents in various parts of the United States and told them to sell at the best price they could get.

Mr. KINCHELOE. After that did you consult your lawyers about the loss?

Mr. LAMBORN. No; we have never consulted our general counsel; we have only consulted ourselves and Mr. Hunt.

Mr. KINCHELOE. You never talked to your lawyers as to whether you had any action on which you could go before the Court of Claims.

Mr. LAMBORN. No, sir; we never consulted our lawyers about that.

Mr. KINCHELOE. What was your contention up to the time you knew these other people had bills introduced?

Mr. LAMBORN. Before we had any bill introduced I went to see Mr. Post, and I said to him, "We have a big loss; what attitude are you going to take?" He said, "I do not know, but we have filed our claim against the Government."

Mr. KINCHELOE. Who is Mr. Post?

Mr. LAMBORN. He is a partner of B. H. Howell Son & Co. You have indicated that there was antagonism; there is no antagonism. There has always been a very warm, friendly consideration on our part toward Mr. Post.

Mr. KINCHELOE. I did not mean to say there was any antagonism between you. As I understand, there is no special brotherly feeling between the Howell Co. and De Ronde.

Mr. LAMBORN. Of that I do not know.

Mr. KINCHELOE. If I understood you correctly, with a \$500,000 loss you never consulted your own lawyers as to what steps you could take, as to whether they thought the Federal Government was responsible?

Mr. LAMBORN. No.

Mr. KINCHELOE. You never thought the Federal Government was responsible?

Mr. LAMBORN. Of course, we did. When this loss first began to be met, when we knew positively that we were going to have a loss of several hundred thousand dollars, I told Mr. Post of our loss on Argentine sugars, and I said the Government asked us to bring the sugars in, and I said I did not believe we were responsible for this particular loss, and he said that is how he felt about it.

Mr. KINCHELOE. How did you come to go to Mr. Post?

Mr. LAMBORN. You may think I am a fool because I did not go to our general counsel and ask his advice about this proposition, but I did not care to do that. Mr. Post said, "We are taking this matter up with the American Trading Co., and we are going to have a bill introduced in Congress." Mr. Post is a very good personal friend of mine, and he said, "If I were you I would do nothing until we see what action Congress is going to take." The only reason we did not take any action until the bill was passed through the Senate was this, when we found that counsel for the American Trading Co. and Howell were trying to get into the record, and in a measure did get into the record a statement that the Department of Justice said that no other people but the American Trading Co. and Howell were asked to do this thing, I said to Mr. Hunt, "I think it is time for us to see some of our Senators and Representatives and have a bill introduced." When they asked me, after returning from Washington, "Why did you not wait until we had this bill passed through the House, and establish a precedent for this claim; why did you not wait—"

Mr. KINCHELOE (interposing). Who said that?

Mr. LAMBORN. Mr. Post and Mr. Armstrong, counsel for Howell. I said, "When we went to Washington we found that your counsel tried to get into the record a statement that you were the only people who had a claim and I thought it was about time to consult my own interests."

Mr. KINCHELOE. What do you have general attorneys for anyway?

Mr. LAMBORN. We have them to give us advice.

Mr. KINCHELOE. I have a curiosity to know why you did not consult them.

Mr. LAMBORN. You will get the facts. They had cost us a great deal of money in legal fees in connection with the repudiation of contracts, when the market went down.

Mr. KINCHELOE. I would think you would have enough concern when you realized that there was a loss of over \$500,000 in connection with your alleged agreement, to consult your counsel to see what you were going to be able to do, and I was wondering about that. I understand you to say you did not consult your counsel.

Mr. LAMBORN. Have you had occasion to consult counsel, or are you a lawyer?

Mr. KINCHELOE. I am a lawyer.

Mr. LAMBORN. Have you ever had fees of \$10,000 and then another \$10,000, and then many other \$10,000's put at you because you have had claims against people you could not collect from? Since you have forced me to answer your question, I will tell you, because we are almost at the end of our rope, because of repudiations, because of the enormous amount of money we have paid out in counsel fees. Is that a clear answer?

Mr. TINCHER. I think it is. You mean the payment to—

Mr. LAMBORN (interposing). Our general counsel.

Mr. TINCHER. That was not in connection with this \$500,000 claim?

Mr. LAMBORN. If I had brought my counsel into this thing, judging from the record here, and judging from what I saw here in another committee down here in the fall of 1917, you would not only have taken umbrage at my audacity at bringing my counsel down here on this claim, but we would have had a bill for that service of not

less than \$20,000. I have tried to come before you, and I think I have come before you, with a clear conscience and a clean mind, and if I have given you the impression that I am a fool, I have nothing further to say.

Mr. KINCHELOE. I think you are working on a very vivid imagination.

Mr. LAMBORN. No.

Mr. KINCHELOE. If I was the head of a big business concern which had suffered a loss by reason of an alleged agreement with the Government, by which I was \$500,000 out, if I had a general counsel for my business it seems to me the first thing I would do would be to go to him to get some advice.

Mr. LAMBORN. In the first place, I have 10 partners in this business, most of them I believe are intelligent, and they are a great gain to me. We have a very large organization, and we are accustomed to do very large business. I also have a man of very high character, who is a lawyer and who knows something about Washington affairs, in my business as a salaried man, to call upon, and who could be used at any time on that bill. He has been of great assistance to my general organization and he is not here to give any offense to you gentlemen.

Mr. KINCHELOE. Did you consult him about the proposition?

Mr. LAMBORN. Certainly, and he is not a man who will waste any time on a vital thing of this kind.

Mr. KINCHELOE. Are you a corporation?

Mr. LAMBORN. We are a partnership.

Mr. KINCHELOE. When did the majority of you finally conclude that you were going to try to collect your claim through an act of Congress?

Mr. LAMBORN. In the fall of 1920, when these losses first became apparent, and we went to people whom we knew had imported a good deal more than we had. Their interests were different. In addition to that, there was the American Trading Co., whom we did not know, and whom I do not know to-day, although I do know they are a very large concern—

Mr. KINCHELOE (interposing). Did you consult your lawyer here as to whether or not he thought you had a legal claim against the Government that could be collected through the Court of Claims in the regular way?

Mr. LAMBORN. I think, gentlemen, I am almost tautological, saying the same things—

Mr. TINCER. Now, can you not answer that question yes or no?

Mr. LAMBORN. I can not answer yes or no, because Mr. Hunt—

Mr. KINCHELOE (interposing). I would like to have an answer to that question.

Mr. LAMBORN. We did not at that time, because he was not with us.

Mr. TINCER. You have been in touch with Mr. Post since you filed the claim?

Mr. LAMBORN. I was before we filed it, but I have not been in touch with him very recently. He said to me, "If our bill be put through Congress, your claim will be as assured as ours."

After I came to Washington he spoke to me about the bill which we had had introduced. He said, "I do not see why you did it." I said, "Because your attorneys apparently were trying to make it appear that they were the only people that had a claim against the Government."

Mr. TINCER. I want to ask you this question: It is a fact that Mr. Post, all the time that these bills have been pending, has known, by reason of his conversations with you, and by reason of his business friendship of many years with you, that you intended to come before Congress with your claim, if he was successful?

Mr. LAMBORN. That is not exactly the way it is. I tried to be exact in my answer. In the fall of 1920 when these losses were very apparent I went to Mr. Post as a good friend of mine and asked him what attitude they took relating to claims they had, if they had them against the Government. He said that the other people expected to have their bills introduced, and our claim being much similar would be a precedent for us if they won it. Then after that I learned that the bill had gone through the Senate, and he told me that the bill had passed the Senate at that session. Then he told me that it had passed the Senate in this session, and later it had been favorably reported by the House. In the meantime, when we acquiesced because we were friendly—

Mr. TINCER (interposing). He knew you had had this loss?

Mr. LAMBORN. He did not know the amount, because at the time I first spoke to him we did not know ourselves.

Mr. TINCER. When you went back up there you were criticized by Mr. Post?

Mr. LAMBORN. I would not say it was criticism. He said, "Why did you not wait until the House had passed our bill? It has been sent to the House by the committee." I told him because I felt that his counsel and the American Trading Co.'s counsel had

tried to make it appear, and also from the discussion in the press it seemed that they were trying to make it appear, that they were the only people who had any claim against the Government.

Mr. KINCHELOE. Do you know whether they felt that way about the De Ronde people?

Mr. LAMBORN. I do not know.

Mr. TINCHER. I wonder how many claims there were which were held in abeyance.

Mr. LAMBORN. I do not know.

Mr. TINCHER. I wonder if we could find out.

Mr. HUNT. I know there is one bill that has been introduced in the Senate on that question by a man named Watson.

Mr. TINCHER. For how much?

Mr. HUNT. I do not know how much that is.

Mr. Riley, who was the Assistant Attorney General at that time, is here, if you want to hear him. I asked him to come in case you wanted to hear him.

(Thereupon the committee adjourned).

(The brief above referred to is as follows:)

#### STATEMENTS OF FACTS SUBMITTED BY LAMBORN & Co., 132 FRONT ST., NEW YORK, N. Y.

#### ARGENTINE SUGAR IMPORTATIONS BY AGENTS OF DEPARTMENT OF JUSTICE.

#### DEPARTMENT OF JUSTICE USED LAMBORN & Co. AS ITS IMPORTING AGENT TO RELIEVE THE SHORTAGE OF SUGAR EXISTING IN 1920.

Lamborn & Co., a partnership of 132 Front Street, New York City, sugar brokers and importers, were in the spring of 1920 members of the Department of Justice's importers committee, and were used by the Department of Justice, as its agent for the importation of sugar from the Argentine to relieve the shortage which then existed in the United States.

Immediately following the negotiations with Department of Justice officials, Lamborn & Co. arranged for the importation, and did import, the sugar above referred to. As a result of this and other importations of a similar nature, and the propaganda and advertising occasioned thereby, the shortage of sugar in this country was relieved and prices declined. As a direct result of the decline in prices so brought about, when the sugar arrived in this country, Lamborn & Co. could not sell it at cost and suffered a loss thereby of approximately \$570,000.

#### RESOLUTION TO HAVE SUGAR EQUALIZATION BOARD ADJUST THESE LOSSES.

The purpose of this resolution which has been introduced on this matter is to authorize the President to direct the Sugar Equalization Board (the Government's sugar corporation) to take over this transaction for Lamborn & Co. and adjust the losses sustained by them and pay same out of the profits made by the Sugar Equalization Board in its dealings in sugar.

#### SIMILAR RESOLUTIONS PASSED FOR OTHER IMPORTERS.

Resolutions, Senate Joint Resolution 12 and Senate Joint Resolution 79 covering losses of a similar nature sustained by other importing firms, who, acting for the Department of Justice, made such importations, have already passed the Senate.

The report of the Senate committee to accompany Senate Joint Resolution 12, being Report No. 72, Sixty-seventh Congress, first session, states the reason for the action of the Department of Justice so clearly that we desire to quote from it here (p. 1):

"This resolution and the necessity for this action is the result of a campaign inaugurated by the Department of Justice to reduce the high price of sugar prevailing during the spring and summer of 1920. When sugar was selling at from 26 to 30 cents a pound at retail, the Department of Justice attempted to secure a large supply from the Argentine Republic, with the aid of the State Department. There were two difficulties: First, there was an embargo in the Argentine against the exportation of sugar; and, second, the Department of Justice needed the cooperation of private agencies to have the sugar purchased and distributed."

The action and purpose of the Department of Justice is further shown in Senate Report No. 240 to accompany Senate Joint Resolution 79, Sixty-seventh Congress, first session, in which it is stated (pp. 2 and 3):

"In the spring of 1920 the Department of Justice, having learned that there was a supply of sugar in the Argentine Republic, undertook through certain private agencies, including P. De Ronde & Co. (Inc.), to import a substantial quantity of Argentine sugar for distribution among certain essential users in the United States. At that time there was an embargo against exporting sugar from the Argentine Republic. Through the efforts of the State Department of the United States the Argentine Government agreed to lift this embargo on a limited quantity of sugar, and on May 22, 1920, said embargo was lifted by decree of the Argentine Government. \* \* \* Thereupon producers and others were permitted to export sugar from Argentine under certain conditions and restrictions as set forth in said decree. \* \* \*

"The fact of the importation of Argentine sugar was largely heralded in the public press and elsewhere in the United States, and as a result, very soon after placing these orders, the price of sugar in the American market began to decline. \* \* \*

"By the time the Argentine sugar arrived in the United States the price of sugar in this country had further declined and there was then no market for this importation.

\* \* \* \* \*

"On July 8, 1918, the President, pursuant to the provisions of an act of Congress approved July 1, 1918, entitled 'An act making appropriations for sundry civil expenses of the Government for the fiscal year ending June 30, 1919, and for other purposes,' had directed Mr. Herbert Hoover, as United States Food Administrator, to proceed with the formation of a corporation to be known as the United States Sugar Equalization Board (Inc.), for which \$5,000,000 was appropriated. All of the capital stock of said corporation was held by the United States. This corporation purchased the entire Cuban sugar crop of 1919, a large part of which was sold to the American people at prices much lower than consumers would otherwise have had to pay, and in so doing the United States Sugar Equalization Board (Inc.) realized a profit of \$39,000,000 for the United States Government. Thirty million dollars of this money has already been paid into the Treasury of the United States, and the balance remains in the hands of said board. It is the purpose of this resolution to direct the United States Sugar Equalization Board (Inc.) to ascertain the true amount of losses sustained on account of the purchase of the 5,000 tons of Argentine sugar by P. De Ronde & Co. (Inc.) and to pay the same out of the funds on hand in the treasury of said board."

#### DEPARTMENT OF JUSTICE NEGOTIATIONS FOR ARGENTINE SUGAR.

As early as April 26, the Department of Justice learned that there was a surplus of sugar in the Argentine and began negotiations for the importation of this sugar. This surplus was estimated at between 100,000 and 150,000 tons.

Mr. Howard Figg in his letter of May 11, page 8 of the hearings before the Committee on Agriculture of the House, Sixty-seventh Congress, first session, House Joint Resolution 78 stated:

"I was notified by the State Department of the receipt of cable from the Argentine that upon proper presentation through official channels of the American Government that the Argentine would lift the embargo on present surpluses in that country, now amounting to some 150,000 tons. The American attaché, however, estimates the surplus at approximately 70,000 tons. \* \* \*

"I have figured that your firm (The American Trading Co.) would handle approximately 10,000 tons of this sugar, the balance to be handled by firm or firms that I may indicate hereafter."

Mr. Figg then made arrangements with the American Trading Corporation to purchase a large quantity of this sugar providing export license could be arranged for. He made arrangements with B. H. Howell, Son & Co., to distribute sugar so purchased by the American Trading Co. He then endeavored to find importers who would import the balance of the 150,000 tons if he and the State Department succeeded in getting export permits.

#### LAMBORN & CO. CALLED TO WASHINGTON TO CONFER ON SUGAR SITUATION.

On May 7, 1920, in pursuance of this purpose, namely, the importation of foreign sugar, the Department of Justice, through Assistant Attorney General Figg, wired Lamborn & Co. to attend a meeting at the Department of Justice on May 10. The wire is as follows:



WASHINGTON, D. C., May 7.

A. H. LAMBORN & Co., *New York City*:

You will please be present at a conference to be held in my office, Department of Justice, Washington, D. C., on Monday, May 10, at 11 a. m., for the purpose of considering certain questions in reference to sugar.

HOWARD FIGG.

It was impossible to arrange this meeting and a second invitation was sent on May 17; it is as follows:

WASHINGTON, D. C., May 17.

A. H. LAMBORN & Co., *New York City*:

You will please be present at a conference to be held in room 301, Department of Justice, Thursday, May 20, at 11 a. m., for the purpose of considering the sugar situation.

HOWARD FIGG.

Pursuant to this request, Messrs. A. H. Lamborn, Gerard P. Taming, and B. Wheeler Dyer, members of the firm of Lamborn & Co., together with other large sugar importers and dealers of New York City, went to Washington to attend the conference on May 20. Because of delays in the Department of Justice, it was necessary to postpone this meeting until May 21.

## IMPORTERS COMMITTEE APPOINTED.

Various Department of Justice officials, including Attorney General A. Mitchell Palmer, Assistant Attorney General Howard Figg, and Assistant Attorney General Armin W. Riley, were in attendance at the May 21 meeting. The sugar situation was thoroughly discussed and an importers' committee was appointed with the approval of the Department of Justice. The committee consisted of Czarnikow-Rionda, Minford Lueder & Co., and Lamborn & Co. It was appointed for the purpose of cooperating with the Department of Justice in ascertaining the supplies of sugar throughout the world. It was also to assist the Department of Justice in the importation of these supplies to relieve the shortage in the United States, and bring about cheaper prices to the ultimate consumer.

## ATTORNEY GENERAL A. MITCHELL PALMER'S TESTIMONY RELATIVE TO CONFERENCE WITH IMPORTERS.

This purpose is shown by the testimony of Attorney General A. Mitchell Palmer given January 21, 1921, before the House Committee on Agriculture (p. 36 of the sugar hearings) in which he states:

"Mr. Chairman, in the spring of 1920, when there was considerable stress in the sugar situation in this country, and the retail price of sugar had in many sections reached as high as 30 cents a pound, the Department of Justice was making a strenuous effort to relieve the people from that condition, both by enforcement of the criminal section of the Lever Food Control Act, and by various other methods, acting under our general designation of authority by the President, who had transferred to the Attorney General the then remaining powers of the Food Administration. \* \* \*

"At that time information was brought to the Department of Justice that there was a very large quantity of sugar in the Argentine Republic, which might be imported into this country at a price which would be considerably below the then prevailing market prices here; and the effect of which might be—and it was hoped it would be—a decrease in the price of sugar generally in the United States."

Mr. Palmer further stated in his letter to Senator Moses, dated April 29, 1921, and which letter is made a part of the hearings before the Senate Committee on Agriculture, Sixty-seventh Congress, first session, Senate Joint Resolution 12, and appears on page 24.

"I did know, of course, that there was a large quantity of sugar in the Argentine which it was desirable to import into this country. I believed then that it would have a very considerable effect in reducing the price of sugar in this country, and I am satisfied now that the publicity given to this proposed importation did have a very considerable effect in bringing the price of sugar down here. \* \* \* On two occasions conferences were held at my office with importers and refiners, which Mr. Riley attended, and his instructions made it necessary for him to have further conferences with such importers and refiners in reference to the sugar situation."

The report given out by Attorney General Palmer of the meeting held at his office in Washington on May 21, which report is contained in the Journal of Commerce of New York of the date of May 22, reads as follows:

"Attorney General Palmer held a conference to-day with representatives of sugar importers and discussed that phase of the general sugar situation. He urged upon the importers the necessity of increasing the volume of incoming sugar shipments, in order that available supplies of sugar might be increased to meet the demand.

"The Attorney General was told of the many difficulties in the way of increasing sugar imports. \* \* \* Nevertheless the importers promised to appoint a committee to work with the Department of Justice in increasing sugar imports if possible."

At the Washington meeting, when the committee of importers was appointed, it was arranged with the Attorney General and Assistant Attorneys General, for the importers to submit reports to Mr. Riley, the Assistant Attorney General showing all sugars contracted for, when they would arrive, the prices paid, to whom they would be distributed and at what price. This was done so that the Department of Justice would know the amount necessary to be imported and to whom such importations should be distributed. Shortly thereafter, Lamborn & Co., submitted the list requested, to Mr. Riley at his New York office.

Assistant Attorney General Armin W. Riley was appointed by the Attorney General to take charge of the sugar situation generally throughout the country. He established an office in the post office building at New York.

#### DEPARTMENT OF JUSTICE HAD ARGENTINE EXPORT EMBARGO REMOVED.

On May 22, 1920, as a result of the efforts of the Department of Justice, the Argentine Government lifted the embargo on 100,000 tons of sugar. The executive order accomplishing this result will be found on page 49 of the House Committee on Agriculture hearings on House Joint Resolution 78, Sixty-seventh Congress, first session, and is as follows:

Acts of the executive power, minister of hacienda. Permission for exportation of 100,000 tons of sugar. Exp. 2249-H920-D. No. 7.

BUENOS AIRES, May 22, 1920.

The executive power of the nation, in general agreement with the ministers, decrees: ARTICLE 1. Under the conditions hereinafter set forth and up to the quantity of 100,000 tons, the exportation of sugar is authorized for the period of 90 days.

ART. 2. Every exporter shall address himself to the minister of hacienda, soliciting the respective permission, which shall be accompanied by a detailed note giving quantity, class, and location of the product which it is proposed to export.

ART. 3. The permit shall only be granted when verification of the conditions set forth by the petitioner has been made by the offices of the internal revenue department.

ART. 4. The petitioner shall also submit vouchers in the case showing that he has deposited to the order of the ministry of Hacienda a quantity of refined sugar, pilot type, equivalent to 30 per cent of each lot. All expenses, losses, and wastage or damage shall be for exclusive account of the depositor.

ART. 5. The executive power, in the case that during the 90 days the retail sale price of sugar in the consuming markets of the republic should rise above that of 4.60 per 10 kilos for granulated white sugar and 5.50 per 10 kilos for refined sugar, pilot type, shall deny all further export permits and shall proceed to the immediate sale, in the form which he may consider most convenient, of all the sugar deposited to his order by the exporters in guarantee of the stability of the price. Should this situation become a fact, the executive power shall allow the depositors as sale price that of 4.10 kilos of the net product resulting at the time the guaranty is made effective.

ART. 6. The exportation of sugar shall be subject to all the dispositions and customhouse duties in force in accordance with the respective laws and regulations.

ART. 7. If during the 90 days fixed the quotations should not rise above that of the prices fixed in article 4, the exporters may dispose freely of the lots deposited as guaranty. Likewise during the course of the 90 days the ministry of hacienda

may permit the exchange of any one lot for another of the same quality and quantity, when verification has been made by the respective offices.

ART. 8. To be communicated, published, etc.

IRIGOYEN.  
D. E. SALABERRY.  
R. GOMEZ.  
J. S. SALINES.  
JULIO MORENO.  
ALFREDO DEMARCHI.  
P. TORELLO.  
H. PUEYREDON.

#### ASSISTANT ATTORNEY GENERAL RILEY MEETS IMPORTERS.

Shortly after the Department of Justice meeting and on May 25, 1920, the Assistant Attorney General Riley in charge of the sugar situation called together the committee of importers above referred to, in a meeting at the office of Messrs. Czarnikow-Rionda New York City. At this meeting were Messrs. A. H. Lamborn, G. P. Tame-ling, E. L. Lueder, Manuel Rionda, B. Braga Rionda, and Assistant Attorney General Armin W. Riley. The announcement of this meeting was published in the New York Times of May 25.

At this meeting the matter of the importation of sugar generally was discussed and the matter of the importation of the sugar from the Argentine above referred to was especially gone into. It will be borne in mind that at this time Assistant Attorney General Riley was endeavoring to get additional importers to import the sugars from the Argentine as soon as the export permit could be issued. He endeavored to have the members of the importers committee make these importations. In his testimony page 41, Senate hearings on Senate joint resolution 12 above referred to he states:

"I thought I might attempt, so as to facilitate matters, to outline from the time this thing was turned over to me by the Attorney General, when he said 'from now on you are in charge of the sugar situation.' He didn't go any further than that in detail, because he was familiar with what I had done, and I understood the situation.

"So, when I left the office, I went downstairs to Mr. Figg's office for the purpose of becoming familiar with what he had done or anything he may have done that I had not learned. I knew this Argentine question was in negotiation.

"We discussed it, as I said before, with the two purposes in view, namely, of bringing in sugar, increasing the supply, and secondly, to break the high prices. He told me the general scheme by which they proposed to bring this sugar into this country.

"There were about 70,000 tons, as I understand it, and these people with whom he had negotiated, the American Trading Co., were to take a small part of that, and the balance was to be taken up by other people. I believe that was Mr. Figg's understanding, and I believe there is a letter in the record from Figg to the company to that effect, saying they would take about 10,000 tons, and the rest of it would be taken up by other people.

"I think somebody asked whether any report had been made to the State Department of a certain quantity of sugar which had been released, a certain amount had been purchased. As far as I know, there was no reason why anybody should go to the State Department about it. They could just go ahead and get the sugar and bring it in, provided they would distribute it along the lines we indicated, to the essential industries, and at a profit which we attempted to control. \* \* \*

"I negotiated with these people, who were the representatives of the sugar industry, the importers represented by a certain committee, and the refiners, dividing them into those two classes."

#### LAMBORN & CO. URGED TO HELP RELIEVE SUGAR SHORTAGE.

As stated above, at this meeting and at the former meeting, Lamborn & Co. were requested and urged to scour the globe for sugar to relieve the shortage and were especially urged to import some of the Argentine sugar.

It will be noted that also no minutes were taken of these meetings and no record was kept concerning them. Mr. Riley states in the hearing on page 44, Senate joint resolution 12 above referred to:

"Senator GOODING. Why did you not have some record made of all these transactions? Was it not necessary?"

"Mr. RILEY. It had not been done in any instance. The Attorney General himself had met these people continually and never had, as far as I know, any written communication."

DEPARTMENT OF JUSTICE CONTEMPLATED NO LOSSES, HENCE NO ARRANGEMENT WAS MADE WITH ITS IMPORTERS TO TAKE CARE OF LOSS.

Both Assistant Attorney General Riley and Mr. Floyd, his statistician, were of the opinion that with such a shortage of sugar existing throughout the world and especially in the United States, the importers would sustain no losses on these importations which the Department of Justice urged them to make. Hence, no definite arrangements were made to take care of any losses which the importers might sustain.

FOLLOWING ABOVE NEGOTIATIONS LAMBORN & CO. ARRANGED EARLY SHIPMENT OF 1,000 TONS ARGENTINE GRADE A GRANULATED SUGAR.

As a result of these negotiations with the Department of Justice, Lamborn & Co. arranged for the purchase and early shipment of 1,000 tons of Argentine granulated grade A sugar.

The following cables between Lamborn & Co., New York, and their branch office in Buenos Aires show the first contract for 1,000 tons of Argentine sugar as entered into by Lamborn & Co.

Buenos Aires, Argentina.

LAMBORN & Co.,  
Sugar Export Department:

Refer to your last telegram 81: Have bought Moss 1,000 tons of 2,240 pounds grade A granulated 21½; shipment next week. Sealed samples will be delivered us for check. [Four words mutilated.] Open confirmed credit immediately.

LAMBORN & Co.

NEW YORK, N. Y., May 25, 1920.

LAMBORN,  
Buenos Aires, Argentina:

77, 79 received. Confirm 1,000 tons of 2,240 pounds grade A granulated 21½ c. i. f. New York. Telegraph name of steamer immediately, request steel steamer, not *Faith*, which unsatisfactory sugar cargo. Will open a credit immediately if sellers insist, but strongly urge shipment payment in exchange for documents New York without credit opening. Advise sellers our business principally sugar for 30 years have acted brokers merchants 700,000 tons Cubas this year on open terms, our moral financial standing highest; refer National City Bank, Guaranty Trust Co., Irving National Bank, Bank Manhattan. Will greatly facilitate, also increase business if Argentine offerings make on open terms to reputable American sugar houses unquestionable character like Lamborn and others; explain advisability to sellers; endeavor to arrange telegraph reply quickly.

LAMBORN & Co.

Buenos Aires, Argentina, June 12, 1920.

LAMBORN & Co.,  
Sugar Export Department, New York, N. Y.:

Refer to your last telegram 9: 1,000 tons (2,240) Moss license have been granted, will commence loading to-morrow in Rosario; steamer *Balzac*. Credit has been received.

LAMBORN.

#### DE RONDE CONTRACT.

Early in June, 1920, Assistant Attorney General Armin W. Riley, as shown by the hearings and report of Senate Joint Resolution 79, requested P. De Ronde & Co. to import 5,000 tons of the Argentine sugar, and contracts were made by P. De Ronde for such importation. As heretofore stated, the resolution covering their losses, has already passed the Senate.

#### MEETING OF JUNE 7 BETWEEN THE IMPORTERS' COMMITTEE AND ASSISTANT ATTORNEY GENERAL RILEY.

On or about June 7, the importers' committee, including Mr. A. H. Lamborn, of Lamborn & Co., met with Assistant Attorney General Armin W. Riley, at his office in

the post-office building, New York City, and again the matter of importation of sugar was discussed. At this meeting the Assistant Attorney General again urged Mr. Lamborn to bring in the Argentine sugar and impressed upon him the fact that when such sugar was imported, it should not be resold within the trade. On this subject Assistant Attorney General Riley issued the following statement:

"This department must again call the attention of the sugar brokers throughout the United States to the prohibition existing against resales of sugar within the trade. It is the policy of this department that sugar follow the normal and direct channels of the trade from the producer to the consumer, and any deviation from this course which tends to enhance the price will be considered a violation of regulations affecting holders of sugar licenses."

Of this meeting, Assistant Attorney General Riley testified (see hearings, Committee on Agriculture, United States Senate, on Senate Joint Resolution 12, 67th Cong., 1st sess., p. 38):

"I wanted to get as much sugar into this country as possible. I sent a formal invitation to the committee representing the importers, Czarnikow Rionda, Minford Lueder & Co., and Lamborn & Co., to come and meet me in my office, and I said to them: 'Gentlemen, can't you bring sugar into this country? We need it.' They knew the situation. We had these conferences in my office; I didn't get them to put it into writing."

#### SECOND CONTRACT FOR 1,000 TONS.

The following cables between Lamborn & Co., New York, and their branch office in Buenos Aires show the signing of the second contract for 1,000 tons of Argentine sugar:

LAMBORN & Co.,  
*Buenos Aires, Argentina, June 10, 1920.*

Referring to your telegram 5, accept 1,000 tons grade A, granulated, 20 cents, c. i. f. New York, provided license has been granted already; also shipment must be made within 10 days; will open a credit Baires when your confirmation received.

LAMBORN & Co.,  
*Buenos Aires, Argentina, June 15, 1920.*

Have bought signed contract Portalis 1,000 tons (2,240 pounds) granulated grade A 99°, 20 cents c. i. f. New York City, shipment before June 25. License has been granted, but purchase subject to new prohibitive decree owing to protest retail. Open a credit in favor of Portalis confirmed irrevocable up to June 30.

#### SHIPMENT OF SUGAR FROM THE ARGENTINE.

Because of the urgent necessity of immediate importation of the Argentine sugar as requested by the Department of Justice, Lamborn & Co. in contracting for their sugar arranged for early shipment. On June 15 the steamship *Balzac* had completed the loading of the first 1,000 tons of the Lamborn & Co. shipment at Rosario, Argentina, and immediately proceeded to Buenos Aires, where the second 1,000 tons were loaded, and from where the vessel sailed on June 25, 1920. These facts are shown by the duplicate invoices, copies of which are as follows:

[Duplicate.]

Buenos Aires, June 16, 1920.

Messrs. LAMBORN & Co., New York:

Loaded on steamship *Balzac*, at Rosario Port, a Moss y Cia., June 16, 16,667 bags granulated Argentine sugar, 1,000,026 kilos, equal to 2,204,630 pounds, at \$21.50 (United States currency) per 100 pounds; gross, \$473,995.45; c. i. f. New York. Insurance to be covered by buyers. Say, \$473,995.45, United States currency. Marks, "Lujan L."

Buenos Aires, June 25, 1920.

Senores LAMBORN & Co., New York:

Portalis & Cia., Limitada, 14,514 bags of Argentine white granulated sugar with 2,239,850 pounds, at \$0.20 American gold per pound, c. i. f. New York. American gold dollars, \$447,970.

(Stamp:) Original passed for payment July 27, 1920.

and by the two ocean bills of lading, copies of which are on file with Lamborn & Co. and with the United States customs office, New York. The essential features of these ocean bills of lading are as follows:

[Lamport & Holt Line, River Platte, Brazil, West Indies and United States Service.]

JUNE 16, 1920.

Shipped in apparent good order and condition by Moss & Co. per steamship *Balzac*, lying off port of Rosario, bound for New York, 16,667 bags of sugar, marked "Lujan L," granulated quality. Unto order. Notify Lamborn & Co.; prepaid.

BOADLE WALLACE, *Agents*.

Second bill of lading:

[Lamport & Holt Line, River Platte, Brazil, West Indies and United States Service.]

JUNE 25, 1920.

Shipped in apparent good order and condition by Portalis & Cia. (Ltd.), in the steamship *Balzac*, lying off the port at Buenos Aires and bound for New York, 14,514 bags of sugar, unto order, prepaid.

BOADLE WALLACE, *Agents*.

The sugar arrived in New York on July 21, 1920.

#### LAMBORN & CO.'S IMPORTATION FIRST OF THE ARGENTINE SUGAR TO ARRIVE IN THIS COUNTRY.

The De Ronde shipment referred to in Senate Joint Resolution 79 did not leave the Argentine until July 29, eight days after the Lamborn & Co. sugar arrived in New York. The American Trading Co. sugar did not leave the Argentine until some time in August, several weeks after the Lamborn & Co. sugar arrived in New York. It is therefore clear that Lamborn & Co. carried out the instructions of the Department of Justice with more alacrity than did any of the other importers acting as agents for the Department of Justice.

#### RESALES.

Acting under the direction of the Department of Justice Lamborn & Co. contracted for the resale of as much of this sugar as possible to essential users and through the direct channels to the trade without making resales in the sugar trade.

These sales were made at a contract price of less than 1 cent per pound on the average above actual cost, as directed by the Department of Justice.

Because of the rapid decline in the sugar market, as above referred to, it was impossible for Lamborn & Co. to contract for the sale of all of this sugar, and as a result they were forced to distribute the sugar on consignment to their corresponding brokers and representatives in various large markets for direct sale to wholesale grocers and manufacturers at considerably less than the cost price of the sugar.

The details of the contracts and sales of this sugar and the loss sustained thereby are shown by the verified, itemized statement printed hereafter.

Because of the decline in the sugar market Lamborn & Co. were unable to contract for the sale of any of the second 1,000-ton contract, being the purchase from Portalis. They only succeeded in contracting for the sale of 8,433 bags of the first 1,000-ton contract of 16,667 bags, leaving a balance not contracted for of 8,234 bags, the actual cost of the first 1,000 tons, of which part was sold by contract, was as follows:

Price.....	\$473,995.45
Duty.....	30,582.81
Weighing and mending bags.....	1,666.70
Tallying charges.....	33.68
Insurance.....	3,132.00
Lighterage.....	865.62

Total cost of the first 1,000 tons..... 510,276.26

The net landed weight of this shipment was 2,164,349 pounds, making the actual cost to Lamborn & Co. of these 1,000 tons of 23.576 cents per pound.

The following table shows the details of the sugar contracted for sale:

Bags.	Purchaser.	Weight.	Price.
		<i>Pounds.</i>	
525	Erie Food Products Co.....	67, 933	\$0.245, less 2 per cent.
1,060	New England Pie Co.....	136, 106	\$0.255, less 2 per cent.
908	H. E. Motts & Co.....	117, 798	\$0.21 net.
1,060	Jacob Haller.....	136, 400	\$0.245, less 2 per cent.
525	C. A. Curtze.....	68, 172	Do.
525	McKusick Towel Co.....	68, 333	Do.
525	P. Minnig Co.....	68, 313	Do.
875	T. S. Southgate Co.....	113, 668	Do.
875	J. H. Hornby & Son.....	113, 208	Do.
1,060	Grand Rapids Wholesale Grocery Co.....	136, 326	Do.
525	Hillsdale Grocery Co.....	68, 533	Do.

A number of those purchasing the sugar by contract, as above stated, refused to accept the sugar when it arrived in this country, owing to the decline in the market, brought about by the Department of Justice's activities in this matter.

The above table shows that the average net price Lamborn & Co. were to receive for the sugar they had contracted to sell, after the 2 per cent for cash had been deducted, was 23.91 cents per pound net. Deducting the cost of the sugar above given of 23.576 cents per pound from this net contract sale price we find that Lamborn & Co. were to receive on an average approximately one-third of 1 cent per pound profit, or 0.334 cent per pound for making this importation.

It must be borne in mind, however, that only 8,433 bags were sold by contract, the balance of 8,234 bags comprising this 1,000-ton shipment and all of the remaining shipment of 1,000 tons were sold on consignment through corresponding brokers and representatives, and the total loss, as shown by the itemized statement, was approximately \$570,000.

*Statement showing losses Lamborn & Co. sustained in importing 2,000 tons of Argentine sugar for the United States Department of Justice.*

<b>Cost:</b>		
16,667 bags of sugar.....		\$473, 995. 45
14,514 bags of sugar.....		447, 970. 00
Duty paid the United States.....		59, 143. 21
Insurance.....		3, 817. 51
Delivery.....		3, 118. 10
Lighterage.....		4, 387. 10
Bank charges.....		3, 067. 01
Cables.....		22. 50
Tallying charges.....		33. 22
Total costs.....		<u>995, 554. 10</u>
<b>Receipts:</b>		
Sales on contracts not repudiated.....		129, 593. 45
Resales of repudiated contracts.....		40, 420. 44
Sales on consignment at best possible market price.....		254, 963. 19
Total net receipts.....		<u>424, 977. 08</u>
Net loss to Lamborn & Co.....		<u>570, 577. 02</u>

STATE OF NEW YORK,  
County of New York, ss:

I, R. Henry Way, being duly sworn, on oath depose and say that I am comptroller for Lamborn & Co., having charge of the financial records of said partnership; that the itemized statement above set forth is a true and correct statement of the losses sustained by Lamborn & Co. on the importation of 2,000 tons of Argentine sugar, according to the records and documents on file with Lamborn & Co.

R. HENRY WAY.

Subscribed and sworn to before me this 15th day of February, 1922.

JOSEPH N. LO MEDICO,  
Notary Public.

## LAMBORN &amp; CO.'S CLAIM AS COMPARED WITH THE CLAIMS ABOVE REFERRED TO WHICH HAVE ALREADY PASSED THE SENATE.

In the statements which we are about to make we do not intend in any way to criticize the two claims above referred to because we think they are just claims, and the Senate was correct in allowing them. The only purpose we have in mind in making mention of these claims is to compare them with the claim of Lamborn & Co. to show the justness of Lamborn & Co.'s claim, the similarity of the claims, and the points wherein Lamborn & Co.'s claim excels those above referred to.

Lamborn & Co. have been in the sugar business for approximately 30 years. There are 11 members of this partnership, 7 of them being residents of the State of New Jersey, 3 of them residents of the State of New York, and 1 of the members being a resident of the State of Pennsylvania.

Lamborn & Co. were representatives in the United States of the Royal Sugar Commission of England during almost the entire period of the war. It may be truly said that Lamborn & Co. stand among the foremost of the sugar dealers throughout the world in the amount of business carried on and the businesslike and honest methods of transacting such business. It is clear, therefore, from the enormous sugar business of Lamborn & Co., that in importing the Argentine sugar referred to in this statement, they did not embark on a new undertaking. They did not venture into new fields of business unfamiliar to themselves for the purpose of possible gain in obtaining the commission of less than 1 cent per pound allowed by the Government. Because of Lamborn & Co.'s large experience in dealing with matters of this nature, it follows that the Department of Justice would naturally go to Lamborn & Co. for assistance when they desired sugar importations of this nature.

The firm of Lamborn & Co. was one of the three members of the importers' committee appointed with the approval of the Department of Justice. The duties of this committee were to cooperate with the department in importing sugar from unusual sources, thus relieving the shortage then existing. As members of such committee, Lamborn & Co. were in constant touch with the Department of Justice. Mr. Riley, of the department, was in consultation almost daily with some members of the firm of Lamborn & Co. or with some of its employees. He had the full cooperation of Lamborn & Co. in his work. It was only natural therefore that when he was looking for importers who could import the Argentine sugar he should call upon Lamborn & Co. to assist him in this matter.

Prior to the importation of the Argentine sugar, Lamborn & Co. had contracted for thousands of tons of sugar to be shipped from the island of Java, the island of Mauritius, from India, Brazil, Czechoslovakia, Hongkong, China, and other remote portions of the globe. This sugar was to be shipped at a later date, depending entirely upon the date of the sugar harvest in the particular locality from whence it was to come. Practically all of the sugar so contracted for prior to the time of the Argentine contracts was for shipment during the summer and fall of 1920. These were the earliest dates possible in view of the crop situation in the respective countries.

Because of the large contracts for such importations, which contracts were made prior to the Argentine contract, Lamborn & Co. were not desirous of obligating themselves for any further amount of foreign sugar in addition to that which they had already purchased; but upon urgent solicitation of the Department of Justice and to assist in relieving the shortage then existing they did contract for the Argentine sugar herein referred to. Indeed, if it is true, and we do not doubt the facts which have been sworn to by Government officials, that the Argentine shipments and the advertising resulting therefrom broke the sugar market, then Lamborn & Co. by their act of importing this sugar were directly responsible in causing a loss of several million dollars to themselves. This loss was occasioned by the fact that when the market dropped Lamborn & Co. were left with thousands of tons of sugar contracted for at prices averaging above 20 cents per pound for importation and delivery during the summer and fall of 1920. When the market dropped it was impossible for them to realize 50 per cent on the cost price of this sugar. Hence, by their own act in importing Argentine sugar and assisting to break the market they assisted in bringing upon themselves losses aggregating several million dollars.

The 2,000 tons of sugar they imported were part of the same lot of 100,000 tons which had been released for export by the Argentine Government at the solicitation of the Department of Justice and the Department of State.

It was the understanding of Lamborn & Co. and the understanding also of the Department of Justice that the importation of the Argentine sugar was to be made immediately in order to relieve the then existing shortage. Acting upon this understanding, Lamborn & Co. arranged for the immediate importation of the sugar they contracted for. In this respect the claim of Lamborn & Co. stands on a higher footing



than either of the claims above referred to. The American Trading Co. were waiting to get a special permit for the importation of the sugar they purchased. The permit they desired and which they finally obtained relieved them of the necessity of putting up a 30 per cent deposit of the amount of sugar so exported. Because of the delay occasioned by this special permit they did not ship the sugar purchased by them to the United States until the middle of August. The De Ronde Co., although acting under the general export order, the same as that used by Lamborn & Co., contracted for a later delivery on their sugar, and hence the sugar they purchased did not leave the Argentine until July 29. Lamborn & Co., on the other hand, realizing that the sugar must be imported at the earliest possible date to meet the shortage, contracted for shipment, and did ship as soon thereafter as possible. The first 1,000 tons were loaded and shipped from Rosario, Argentina, before the 16th of June. The second 1,000 tons were loaded and shipped from Buenos Aires before the 25th of June. The complete cargo arrived in New York on the 21st day of July, eight days before the vessel carrying the De Ronda sugar left the Argentine, and several weeks before the vessel carrying the American Trading Co. sugar had departed from the Argentine. If, therefore, there is any merit in the contention of the Department of Justice that the shipment of this sugar broke the market and relieved the shortage, Lamborn & Co.'s shipment, being the first to leave the Argentine and the first to arrive in New York, undoubtedly had the greatest effect in breaking the market.

The sugar purchased by Lamborn & Co. was purchased from exporters in the Argentine who had already placed the necessary 30 per cent sugar deposit. Because of this fact Lamborn & Co. were compelled to pay a higher price for the sugar than did the other concerns above referred to; but immediate shipment being the prime requisite, Lamborn & Co. arranged for immediate shipment. The Department of Justice had the same understanding with Lamborn & Co. relative to the fact that re-sales were to be made through the regular channels and not in the trade as were had with the other importers above referred to. Lamborn & Co. contracted to resell the sugar they imported at one-third of 1 cent per pound profit, while De Ronde & Co. were to receive 1 cent per pound on their shipment and the American Trading Co. and B. H. Howell Son & Co. each 1 cent per pound on the shipment which they made jointly.

LEGAL AND MORAL OBLIGATIONS OF THE DEPARTMENT OF JUSTICE IN USING THESE IMPORTING AGENCIES.

There can be no possible question as to the legality of this plan to relieve the shortage of sugar as adopted by the Department of Justice. Former Attorney General Palmer, in his hearing before the House Committee on Agriculture, page 38, states:

"I say it was a lawful plan, therefore a proper plan. I say also that it was a beneficial plan to the people of the country and they got the benefit by it. At the time this proposed importation of Argentine sugar was on foot it got into the newspapers and a great deal of publicity was given it, and, like almost all other news of this character, it suffered not at all from wide distribution through the public press; and by the time it had gotten across the country there was a general report that a tremendous amount of this sugar was coming from the Argentine."

The present Attorney General agreed with the former Attorney General that the Government is legally and morally bound to pay on these obligations. In the testimony on House Joint Resolution 78 before the House Committee on Agriculture, on page 76, the following appears:

"Mr. TINCER. It is your understanding that an agent of this Government can contract a legal liability for the Government without specific authority of law?

"Mr. DAUGHERTY. Yes; without specific authority. If the authority is constructive, an agent can commit his principal to a legal obligation, acting within the reasonable scope of the authority conferred upon him and a legal liability in connection, with all things incident to the act which the agent is called upon by the principal to perform.

"Mr. TINCER. I understand that.

"Mr. DAUGHERTY. There might be some question as to the legal liability. As I say, I am not as sure on that question as I am on the moral obligation. I have not any doubt in my mind as to the moral obligation, as I understand the facts. Now, in a situation of this character—I may be wrong about it—if there is a moral obligation and a reasonable legal obligation, if this company was performing this service at the instance of the Government, as the agent of the Government, while I know the distress of the Government from the standpoint of its finances, yet the Government is the last organization and the last person that ought to welch on an obligation. That is my judgment about it."

The committee then called upon the Attorney General for a written opinion on the subject, and on January 17, 1922, by his assistant, Mr. Guy B. Goff, he sent a letter to Congressman Gilbert H. Haugen, chairman Committee on Agriculture, House of Representatives, Washington, D. C. In this letter is found the following:

"The Attorney General expressed the view before the committee that there was an undeniable moral obligation and, in his opinion, a legal obligation upon the Government. The committee has also been fully informed of all the facts from competent sources, as appears from the statements before it and the reports of the several committees which have considered the subject, including its own majority and minority report, No. 1275, dated February 1, 1921. The facts shown therein indicate the ground of legal liability. They are not, as far as can be ascertained, seriously questioned. They plead powerfully in behalf of the companies and show that it was in pursuance of authority to deal with the then existing high prices that the Attorney General became connected with the matter and used these companies to ameliorate that condition.

"The Attorney General, in the exercise of authority derived from the Lever Act and conferred on him by the President, was authorized to use means which were necessary and appropriate to provide the country with an adequate supply of sugar. That the arrangement between the department and Howell Co. and the trading company were proper means is, of course, beyond doubt, because it brought to pass the relief for which it was used and brought it to pass in a much greater measure than was expected. Indeed, its very efficacy is among the important facts causing the loss.

"As a matter of law, however, the question is rather whether these companies were such agencies as were intended in the Lever Act and the instrument conferring authority upon the Attorney General. The agencies there referred to were, of course—because of the peculiar situation then existing—not limited to such only as previously had been recognized or used; and, consequently, it is not necessary to establish here a strictly legal relationship of agency in which the agent is entirely subject to the control of the principal. Apart from the arrangement entered into with the department, these companies were independent importing and distributing agencies; but with respect to that arrangement, while retaining much of their independence, which, indeed, was necessary for the purpose, they were in a very large measure controlled by the department.

\* \* \* \* \*

"In the view of the department there is no uncertain authority in law under which the Attorney General acted, nor is it possible to consider this subject as a legal matter apart from its equitable nature. The view that there is no legal liability is at best doubtful, and it must be kept in mind that as a legal and especially as a practical matter the equities which so strongly color the facts will distinctly tend to resolve doubtful legal questions in favor of the companies. These claims may, indeed, be termed debts of the United States, debts of that peculiar character which dictate relief at the hands of the Congress, as intimated by the Supreme Court in the following passage from *United States v. Realty Company*:

"What are the debts of the United States within the meaning of the constitutional provision (art. 1, sec. 8)? It is conceded, and, indeed, it can not be questioned, that the debts are not limited to those which are evidenced by some written obligation or to those which are otherwise of a strictly legal character. The term "debts" includes those debts or claims which rest upon a merely equitable or honorary obligation, and which would not be recoverable in a court of law if existing against an individual. The Nation, speaking broadly, owes a "debt" to an individual when his claim grows out of general principles of right and justice; when, in other words, it is based upon considerations of a moral or merely honorary nature, such as are binding on the conscience or the honor of an individual, although the debt could obtain no recognition in a court of law."

"As stated in another letter to you upon the subject, in view of the peculiar obligation upon the Government in this case, in which there appears to be general acquiescence, it seems to the department, after a review of all the evidence, that the legislation should be passed.

"Respectfully,

"GUY D. GOFF,  
Assistant to the Attorney General."

Lamborn & Co. made every effort to resell this sugar under the rules of the Department of Justice, but because of the rapid decline in the market they were unable to do so. They suffered a loss of approximately \$570,000, as above stated. The complete itemized statement showing this loss, which statement has been sworn to by an official of Lamborn & Co., is hereto attached and made part of this statement. If

the Sugar Equalization Board, which was the Government's sugar corporation, had sustained this loss, the loss would be paid out of the profits made by that corporation from its handling of sugar for the Government. Here is a partnership which acted under the United States Department of Justice in the same manner as the sugar Equalization Board would have acted had it purchased the sugar herein referred to to relieve the shortage then existing. Lamborn & Co. were acting as agents for the Government in exactly the same manner as the Sugar Equalization Board would have acted had it been functioning at the time. The losses, therefore, which were sustained by Lamborn & Co. should be paid from the profits which have been made from the sugar dealings of the Sugar Equalization Board.

We respectfully submit this statement to the Senate and House of Representatives of the United States with the earnest hope and belief that they will pass the resolution herein referred to, authorizing the President to direct the Sugar Equalization Board to take over this transaction and adjust the losses to Lamborn & Co.

LAMBORN & Co.

COMMITTEE ON AGRICULTURE,  
HOUSE OF REPRESENTATIVES,  
*Tuesday, April 18, 1922.*

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

There were present Mr. Haugen, Mr. McLaughlin of Michigan, Mr. Ward, Mr. Purnell, Mr. Voigt, Mr. McLaughlin of Nebraska, Mr. Tinchler, Mr. Sinclair, Mr. Thompson, Mr. Gerner, Mr. Clague, Mr. Clarke, Mr. Jacoway, Mr. Aswell, Mr. Kincheloe, Mr. Jones, and Mr. Ten Eyck.

Mr. HUNT. Mr. Chairman, Mr. Riley, the former Assistant Attorney General in charge of sugar matters is here. I asked him if he would come without subpoena and he said that it was perfectly all right with him.

The CHAIRMAN. We will hear Mr. Riley now.

**STATEMENT OF MR. ARMAN W. RILEY, GARDEN CITY, LONG ISLAND, N. Y.**

Mr. ASWELL. Mr. Riley, may I suggest in the interest of economy of time that the crux of this whole case is very definite, and that is to establish their connection with the Government. That is the main thing we want to find out.

Mr. RILEY. The connection of whom?

Mr. ASWELL. The connection of this company with the Department of Justice. That is the fundamental matter I think we want to hear you upon or, rather, that is my understanding of it.

Mr. RILEY. Would you want me just to corroborate that part of Mr. Lamborn's statement?

Mr. TINCHER. I think you had better make a statement of what you know about this case.

Mr. RILEY. The Lamborn case. Well, I was working in the Department of Justice as special assistant to the Attorney General, and my function was to investigate and prosecute violators of the Lever Act. That was the profiteering act. I received the reports of investigators of the Department of Justice from all parts of the United States, and then suggested their procedure; that is, whether it seemed to me the case warranted further investigation, and if so, to obtain certain facts and submit those facts to the local United States district attorney for presentation to the grand juries in their particular districts. I was engaged in this work for a long time, not solely in connection with sugar, but all the commodities which came under the Lever Act, which consisted of food and fuel and various other things of that sort. After I had been with the Government some time the sugar situation became acute, as you all know, and I had a very definite theory as to the way to handle it. It had become a very popular game to go into sugar speculation. Anybody who had sugar seemed to be able to sell it at any price he might demand. We had made various efforts through fair-price committees to cooperate with various industries and communities. In my opinion we had not obtained results as satisfactory as we should have obtained or had been led to expect. My theory was that there was a law on the statute books and that the only way to take the speculation out of sugar was to enforce that law strictly and emphatically throughout the United States. My attitude in the department finally was adopted—I persuaded, in other words, the Attorney General that that was the way for us to proceed, and in view of the fact that that was the way I had been proceeding, it was determined by him that I attempt to carry out that procedure and no

longer attempt to negotiate. This I proceeded to do, and presented many cases to the grand juries in different parts of the country, in New York State, Texas, St. Louis, and all over the country.

Mr. McLAUGHLIN of Michigan. The particular feature of the law you were investigating and proposed to enforce was the law against profiteering in sugar.

Mr. RILEY. Profiteering in any commodity that came up.

Mr. McLAUGHLIN of Michigan. Well, we are speaking of sugar now, particularly.

Mr. RILEY. Yes. You see the law provided for a reasonable profit. Now, there was never any price set, because in different communities the prices varied. If a man had bought sugar at this point for 10 cents, he could sell it at a reasonable profit. If another man had bought it over there at 15 cents, he could sell it at a reasonable profit. We could not say 16 cents was a reasonable price; we could only say what the margin of profit, in our opinion, should be. You can see why that would be the case. After consideration and consultation with various sugar interests, we came to the conclusion that 1 cent was quite sufficient to take care of the profits; and, in fact, more than people operating in sugar had ever obtained prior to that time in normal business. That is one point I would like to bring out, that the price was not set for these different people, but merely the margin of profit. You might ask, How could we enforce the margin of profit, and I always told the people with whom I came in contact, the various sugar interests, that if they stayed within that we would not proceed against them for violation of the Lever Act, but if they exceeded that then I would feel it was my duty to present the evidence to the grand jury or have it presented to the grand jury, and show the grand jury what we considered a reasonable profit, and if they thought what these people had made was unreasonable, an indictment would be returned against them and they would be prosecuted. That was the policy under which we proceeded. Now, that in itself, I think, was effective, but I do not think that in itself would remedy the situation which was confronting us. If you take the unusual profit out of sugar speculation, that would deter a great many people who are not ordinarily in the business from entering it. If, secondly, you would increase the supply of sugar in this country, that would give enough sugar to everyone and at the same time bring down the price, and that was the objective of the Department of Justice, namely, to increase the sugar supply and keep the price reasonable. Now, I do not know exactly where to proceed from that point; I mean, along what lines.

Mr. TINCHE. Do you not know that the committee wants you to tell us what you know about this sugar claim that is pending here?

Mr. RILEY. Yes.

Mr. TINCHE. That would be easy, I should think, for a lawyer.

Mr. RILEY. I was directed by the Attorney General—

Mr. ASWELL. Did you request this firm to import sugar?

Mr. RILEY. I think I can hardly answer that yes or no, but I can tell you the circumstances.

Mr. CLARKE. Tell us the circumstances surrounding the whole transaction.

Mr. RILEY. The Attorney General invited, through one of his assistants, the sugar interests to attend a conference in Washington. I mean he invited the importers. You see we divided the sugar interests into two classes, those who were refiners and those who were importers and sugar merchants.

Mr. ASWELL. About how many importers came to that conference?

Mr. RILEY. My guess would be almost as many people were present as are present in this room.

Mr. KINCHELOE. Suppose you begin right there and continue on with this transaction.

Mr. RILEY. The Attorney General brought them together, I presume, with the idea of getting light and relief for the acute situation.

Mr. PURNELL. Do you know how they were solicited to get together?

Mr. RILEY. By a telegram or a letter inviting them to attend a conference in the Department of Justice here in Washington. They attended and the Attorney General told them of the predicament the country found itself in and asked them to give every aid to relieve that predicament; that is, to bring down the price and increase the supply. The number of people who were present made it unwieldy to act with ease, and he suggested that they appoint representatives.

Mr. KINCHELOE. Were you present at that conference?

Mr. RILEY. Yes, sir. Of course, the Attorney General was not familiar in detail with the different sugar phases and as I had been, I was there more or less to give him information.

Mr. KINCHELOE. I was just wondering whether you were there or not.

Mr. RILEY. Then the men who were there, the sugar importers represented, determined, as my recollection goes, on a committee of three, Mr. Lamborn, Minford,

Lueder & Co.—that is the firm name—I do not know whether it was Mr. Minford or Mr. Lueder, and the firm of Czarikow Rionda, and Mr. Rionda himself was there.

Mr. ASWELL. Did the Attorney General appoint these gentlemen or did the importers appoint them?

Mr. RILEY. My recollection was that they among themselves nominated these men and the Attorney General said, "That committee is quite satisfactory to me."

Mr. JACOWAY. Was that Mr. Palmer?

Mr. RILEY. Yes; the then Attorney General. After a general discussion of the situation, he said that he thanked them and would be glad to have their suggestions, and would meet with them or have some one meet with them again or have meetings with them again.

Mr. ASWELL. This firm is the only one in that assemblage of importers that acted. No other firm imported any sugar except this one among the importers who were present at that time?

Mr. RILEY. I do not know. I did not know at the time that they had purchased this sugar.

Mr. ASWELL. Was that conference prior to the request made by the Attorney General for these other gentlemen to import sugar or was it after he made this request.

Mr. RILEY. You refer to the American Trading Co.?

Mr. ASWELL. Yes.

Mr. RILEY. I did not know anything about that American Trading Co. matter.

Mr. ASWELL. All right, then.

Mr. RILEY. It was being conducted by Mr. Figg.

Mr. ASWELL. All right; go ahead.

Mr. RILEY. I asked Mr. Franklin at one time to give me the information and he refused to do so; I do not know why.

Mr. KINCHELOE. Now, what was said at this conference when these gentlemen assembled about what commission they were to get or what profit they were to get out of it, or was anything said about a loss or anything of that kind.

Mr. RILEY. No; the Attorney General, I believe, informed them that the department took the position that 1 cent would be considered a reasonable profit on sugar transactions.

Mr. KINCHELOE. Was that satisfactory to all of them and was it agreed upon there?

Mr. RILEY. No; they did not agree upon it; some disputed about it in view of the amount of money involved, etc., that that was not reasonable. Of course, they naturally would not accept it if they thought they could get more.

Mr. KINCHELOE. Well, was any margin of profit fixed?

Mr. RILEY. He made the flat statement that 1 cent would be considered proper by the department.

Mr. KINCHELOE. Did they all finally agree to that, notwithstanding they protested for a while?

Mr. RILEY. They did not dispute it. I mean it was a thing by which they would have to determine their future conduct.

Mr. SINCLAIR. It was not a question of their agreeing to it, anyway, because the department might prosecute them or reserve the right to prosecute them under the Lever Act if they took more.

Mr. RILEY. That was it.

Mr. THOMPSON. And that was your position?

Mr. RILEY. That is the position we took, and we just stated that to them.

Mr. KINCHELOE. The Lever Act did not specifically provide for 1 cent a pound profit on sugar.

Mr. RILEY. No.

Mr. KINCHELOE. That was left to the discretion of the Department of Justice.

Mr. RILEY. And we just said, "If you make in excess of that we will proceed against you."

Mr. KINCHELOE. In excess of what?

Mr. RILEY. One cent a pound.

Mr. KINCHELOE. The point I am making is that it was agreed to, at the suggestion of the Attorney General, that 1 cent was to be the profit.

Mr. RILEY. They conformed to it in most cases and while they discussed it with me in future and more intimate conferences, they agreed to do it. Mr. Lamborn and others agreed to 1 cent a pound—

Mr. PURNELL (interposing). The question of the margin of profit is not nearly so vital to the matter before this committee as what happened between the Attorney General and these men. Did these men act for and on behalf of the Government?

Mr. RILEY. You mean the men who brought in this particular sugar?

Mr. PURNELL. Yes.

Mr. RILEY. I think you have got to draw your own inference.

Mr. PURNELL. We can only draw it by having you tell us about it. You are a lawyer, are you not?

Mr. RILEY. Yes, sir.

Mr. PURNELL. Well, there are several lawyers around this table and you perhaps know what we want to know.

Mr. RILEY. I think I do.

Mr. PURNELL. These are extraneous matters.

Mr. RILEY. I did not know just what you wanted. I was asked about this question of profit.

Mr. PURNELL. I did not refer to the last question but these other matters you have related are matters of detail. What we want to know is what happened at that meeting. Was there any suggestion that if this sugar was broguth in, the Government would reimburse them in case of loss.

Mr. RILEY. Now, you heard what happened at that meeting.

Mr. PURNELL. Part of it.

Mr. RILEY. That is all I think did happen.

Mr. TINCHER. After the meeting—

Mr. RILEY (interposing). After the meeting I met these importers and urged them to increase the supply of sugar. I did not care where they brought it from.

Mr. ASWELL. When did you first learn that Lamborn & Co. had imported 2,000 tons of sugar?

Mr. RILEY. Comparatively recently. You mean from the Argentine?

Mr. ASWELL. Yes.

Mr. RILEY. I think comparatively recently.

Mr. McLAUGHLIN of Michigan. What do you mean by that?

Mr. RILEY. I did not know at the time they had bought this sugar or that they had contracted for this sugar.

Mr. McLAUGHLIN of Michigan. You have not given us the date of these meetings.

Mr. RILEY. It was sometime in May. Now, you see, it was two years ago and my recollection is somewhat hazy.

Mr. McLAUGHLIN of Michigan. You mean May of this past year?

Mr. RILEY. No; I think it was two years ago.

Mr. THOMPSON. May of 1920?

Mr. RILEY. May of 1920.

Mr. ASWELL. How did you learn about this matter? How was it brought to your attention then, long after the transaction?

Mr. RILEY. I heard of this claim.

Mr. ASWELL. Who brought it to your attention?

Mr. RILEY. Mr. Lamborn or somebody from his office told me they had brought in this sugar.

Mr. ASWELL. How long after the transaction was it that you first heard of it?

Mr. RILEY. I should say a year or a year and a half, maybe longer.

Mr. ASWELL. Did you have entire control of this importation of sugar? Had the Department of Justice given you full authority to act?

Mr. RILEY. Yes, sir.

Mr. KINCHELOE. How many subsequent conferences did you have with this firm from the time of your first meeting in Washington until this time?

Mr. RILEY. I was in constant touch with them during, we will say, May and June, not only in relation to their own particular business but with relation to the whole situation. I went over their books and accounts.

Mr. KINCHELOE. When did you learn that this sugar had been brought in and that a loss had accrued? Did they ever discuss this loss with you after it was over?

Mr. RILEY. Not until comparatively recently.

Mr. KINCHELOE. You mean recently from this date?

Mr. RILEY. A year or so after they had imported the sugar.

Mr. KINCHELOE. They did not discuss the loss with you until a year or two after it had occurred?

Mr. RILEY. Yes; and then they did not discuss it with me. They merely told me. They knew I had no funds and I had no relief to give.

Mr. THOMPSON. Can you tell me about when they imported this sugar?

Mr. RILEY. I think it was in May or June of 1920 that they contracted for it, and I believe it came in in July. I have no knowledge of this of my own.

Mr. ASWELL. I am interested to know why it was they did not keep you informed as to the fact they had imported the sugar. You were at the head of the thing. How did it happen you did not know anything about it.

Mr. RILEY. I think I can tell you that. They contracted for this sugar, but they were contracting for sugar all over the world. I do not know about that particular time, but at various times; and they did not tell me they had bought this certain shipment of sugar, and when it was brought in afterwards, when the price was going down, my interest then ceased, when I saw relief coming. I was just as actively interested then in coal as I had been in sugar prior to that time, so I had no further contact with them.

Mr. KINCHELOE. If I understand you, you had the matter in charge, so far as this claim is concerned or this firm is concerned, exclusively for the Department of Justice, from the time of the first meeting here in Washington until the thing was wound up. Now, during that time, at any of these conferences you had with them relative to this matter, was there any discussion about it before this loss came, as to whether they would be reimbursed if they sustained a loss by reason of this purchase of sugar?

Mr. RILEY. No; there was no discussion as to any reimbursement for any losses.

Mr. KINCHELOE. Did you make any representations to them in any of these conferences that they were representatives of the Government in buying this sugar?

Mr. RILEY. No, sir.

Mr. KINCHELOE. Did you so understand, that they were representatives of the Government in any way in buying this sugar?

Mr. RILEY. No.

Mr. KINCHELOE. And there was nothing at all suggested about a loss, if any accrued

Mr. RILEY. No, sir. I did not contemplate a loss for them, because, as I understood it, when these people or people of this type in this line of business purchased or contracted for sugar, they immediately resold it.

Mr. KINCHELOE. Of course you do not think any of them contemplated a loss when they went into it, do you?

Mr. RILEY. No.

Mr. KINCHELOE. And there was no understanding on your part, as Assistant Attorney General in charge of this business for the Government, that the Government was to reimburse them if they sustained any loss?

Mr. RILEY. Not the slightest understanding on my part.

Mr. KINCHELOE. And the question discussed was the profit they were to receive?

Mr. RILEY. Yes, sir.

Mr. ASWELL. Did they sell this sugar in advance? When they contracted for it, did they place it?

Mr. RILEY. I do not know that they did.

Mr. ASWELL. Did you promise to give them a purchaser?

Mr. RILEY. No; but they had promised that they would sell the sugar in channels indicated by me.

Mr. McLAUGHLIN of Michigan. Doctor, we can not hear your questions up here.

Mr. ASWELL. I asked him if he promised to supply purchasers as he did in some other cases; that is to say, did the Department of Justice say to them, "We will furnish the purchasers as soon as the sugar arrives." They did that in some cases.

Mr. McLAUGHLIN of Michigan. And the answer to that question was what?

Mr. RILEY. No; I never promised anybody I would give them an individual who would buy that sugar from them, but when they entered into this agreement with us, they promised to sell the sugar along channels indicated by me, and the reason for that promise was that there was a great deal of sugar being consumed by what I considered nonessential industries at the expense of the essential industries; that is, the home and the preservers and the canners who saved our fruits and vegetables. That was the thing I emphasized. I persuaded the refiners to give a certain percentage of their output to those channels, and those channels were represented by individuals, the president of the canners' association, the president of the preservers' association, the president of the Southern Wholesale Grocers' Association, and others who came there with lists of legitimate members of their industry, who were in dire need of sugar, and I told them, "We will direct into your channels so much sugar which will accommodate your requirements, but it is up to you to see that no one member gets more than his necessary amount."

Mr. ASWELL. When that sugar arrived, did they come to you and ask for information as to the disposition of it along those channels which you have described?

Mr. RILEY. Well, they did, in some instances.

Mr. ASWELL. But did this company come to you?

Mr. RILEY. No; I do not think they did.

Mr. LAMBORN. May I interject a statement right here? Our firm knew far better than anybody connected with the Department of Justice what the natural channels of trade were. That was our business, and they knew perfectly well that as long as we had given our word that we would cooperate with them, we would naturally distribute it in the natural channels of trade and we did not have to ask them nor did they have to ask us.

Mr. JONES. The 1 cent a pound profit that was agreed upon was to have universal application in this country so far as the profit on imported sugar was concerned?

Mr. RILEY. No; I would like to make this clear, because I think you should know this: That 1 cent a pound was determined upon prior to any contact with the importers.

Mr. JONES. Yes.

Mr. RILEY. It was for resale in this country of sugar already in this country, and that was the general announcement we made to the people of this country.

Mr. JONES. And that was for general application.

Mr. RILEY. Yes, sir.

Mr. JONES. Do you consider 1 cent a pound on imported sugar a reasonable profit?

Mr. RILEY. No; not on imported sugar, on sugar here; if they bought it from the importer, from the sugar people, they could turn it over right here for 1 cent.

Mr. JONES. It would be practically the same thing, if you allowed the cost of bringing it here, and then they allowed a profit of 1 cent a pound on that, would it not?

Mr. RILEY. This was the thing I wanted to make clear, so that you may have all the facts. I told you it related exclusively to importers, and I have told other people that I well understood the difficulties under which they were operating when they brought sugar from the uttermost corners of the world, such as China, Java, the Philippines, and other places, where they had not been in the habit of purchasing sugar, and they could not get it for months after, and it might well be that they purchased that sugar in May, in good faith, proposing to sell it for a cent more, and when the sugar came through months later, the market might be 10 cents higher, or it might have gone down.

Mr. JONES. It is true, with reference to imported sugar, regardless of when it may be imported—

Mr. RILEY (interposing). Most of the imported sugar is raw sugar and goes into the refinery, and you could only make 1 cent.

Mr. JONES. That would be true, regardless of who imported the sugar or when it was imported.

Mr. RILEY. That is true. My point was this, that I would not hold a man who had put millions of dollars into imported sugar to be delivered months later to an absolute compliance with the regulations, which we would put on a wholesale grocer, for instance, in Washington, who knew definitely how much he was paying for his sugar and what his expense was. I retained a little discretion in that matter.

Mr. JONES. Your purpose in furnishing names, or channels through which the sugar could be disposed of, was simply to see that the essential channels might be supplied?

Mr. RILEY. Exactly, and I said if there was any surplus then the others could have it.

Mr. JONES. It was not the purpose on the part of the Government to take over the sugar business, but simply to control the channel through which the necessities would be supplied.

Mr. RILEY. They would receive the first relief.

Mr. JONES. And when they had been supplied then it would be offered for sale to any individuals that might want it?

Mr. RILEY. Exactly.

Mr. KINCHELOE. Did you have any transaction or understanding with one company different from that with the other?

Mr. RILEY. I had nothing to do with the American Trading Co. importations.

Mr. KINCHELOE. You did not handle that at all?

Mr. RILEY. No.

Mr. KINCHELOE. Or with the De Ronde transaction?

Mr. RILEY. Yes.

Mr. KINCHELOE. Was that handled in the same way?

Mr. RILEY. It was not quite, because De Ronde was not represented in the Washington conference. He was not a sugar man. I happened to meet him one day in the Whitehall Club in New York. Knowing him, and knowing he was in the shipping business, it developed that he had a ship, or ships in Argentina, and at the same time this Argentine proposition was up, and at that time I was encouraging everybody to bring sugar in.

Mr. KINCHELOE. And the sugar people were looking for business if there was any profit in it?



Mr. RILEY. But De Ronde was not a sugar man.

Mr. KINCHELOE. How many conferences did you have with De Ronde from the time you first met him until it was over?

Mr. RILEY. I do not know, but it may have been three or four. I met him from time to time down there at the Whitehall Club, which is a luncheon club in New York.

Mr. KINCHELOE. It was the understanding with his firm that he was to receive 1 cent a pound profit?

Mr. RILEY. Yes.

Mr. KINCHELOE. Was there anything said in any of your transactions or conferences with his firm as to whether the Government should sustain a loss, if there was any, or any suggestion of that?

Mr. RILEY. No.

Mr. KINCHELOE. You did not handle the American Trading Co. transaction?

Mr. RILEY. No.

Mr. ASWELL. Did you direct De Ronde's distribution of sugar in any way?

Mr. RILEY. I could not, when the sugar—

Mr. ASWELL (interposing). Did you know when it came?

Mr. RILEY. Yes.

Mr. ASWELL. How did you happen to know about his and not about the others?

Mr. RILEY. Because he consulted with me and the other people did not. De Ronde was not a sugar man. Mr. Lamborn knew a great deal more about sugar than I did.

Mr. KINCHELOE. You said you asked the American Trading Co. for some information which they refused to give you. What was it?

Mr. RILEY. I asked Mr. Franklin to give me the particulars of this deal.

Mr. KINCHELOE. When was that?

Mr. RILEY. It was in May; I should say when I first came to New York.

Mr. McLAUGHLIN of Michigan. About May 20?

Mr. RILEY. Yes.

Mr. KINCHELOE. What do you mean by the particulars?

Mr. RILEY. I wanted to know how much he paid for the sugar, what his expenses were, to whom he proposed to sell it, and how it was he happened to hook it up with B. H. Howell & Son Co.

Mr. KINCHELOE. What was his answer?

Mr. RILEY. That he was dealing with Mr. Figg, and he did not propose to give me that information.

Mr. KINCHELOE. He then knew that you were the Assistant Attorney General in charge of that very matter?

Mr. RILEY. Yes.

Mr. KINCHELOE. He did not give you any reason why he would not divulge these facts?

Mr. RILEY. No.

Mr. TEN EYCK. Was Mr. Figg your superior in the Department of Justice?

Mr. RILEY. No; at first—I more or less succeeded him—he was merely in charge of the fair-price commissions. The department was attempting to operate through them, and I kept insisting that it was the wrong way to do it, that the results were usually unsatisfactory, and I said the way to get results is to enforce the law; that if it is not a good law you should have it repealed.

Mr. KINCHELOE. Was Mr. Figg still acting as Assistant Attorney General at the time of your conversation with Mr. Franklin?

Mr. RILEY. He was. He was in Washington, and he had been instructed that he was to divorce himself from the sugar situation.

Mr. KINCHELOE. At the time Mr. Franklin refused to divulge the facts that you asked him for, was Mr. Figg in charge of the sugar business, or had you been put in charge of that?

Mr. RILEY. I was in charge with an office in New York, and—

Mr. KINCHELOE (interposing). And Mr. Franklin knew that?

Mr. RILEY. Yes, I told him so.

Mr. TEN EYCK. Did he know that the Attorney General had taken away the authority of Mr. Figg to work with Mr. Franklin?

Mr. RILEY. He did not do that.

Mr. TEN EYCK. He did not take away the authority of Mr. Figg to work with Mr. Franklin?

Mr. RILEY. No; Mr. Figg was acting within his jurisdiction. I had a talk with him, and I had no idea of interfering with that transaction. Mr. Figg knew all about it; he was familiar with all the ramifications of the transaction with the State Department, about which I knew nothing. But I wanted the information because I insisted upon

having reports from every port as to what sugars were received, so that I might trace them and see that they were not resold in the trade on speculation, but that they went in the normal channels to the consumers.

Mr. TEN EYCK. You do not know whether or not the Attorney General had a special arrangement with Mr. Franklin for the purpose of checking up on what the other fellows might be doing? You do not know what was in the Attorney General's mind, as to why he operated with Mr. Franklin the way he did?

Mr. RILEY. The Attorney General told me and Mr. Figg that I had charge of sugar, and he quit there.

Mr. TEN EYCK. You have also just stated that Mr. Figg still had authority to operate with Mr. Franklin?

Mr. RILEY. I did not say he had authority; I said he handled this transaction with Mr. Franklin, and I saw no reason why I should inject myself into that situation, as it then stood.

Mr. KINCHELOE. Your purpose in wanting to get that information from Mr. Franklin was to see that the sugar they were buying was going into legitimate channels?

Mr. RILEY. Yes, sir.

Mr. KINCHELOE. You were carrying out the policy of the Department of Justice?

Mr. RILEY. Yes, sir.

Mr. TEN EYCK. Did you ever ask the Attorney General to have Mr. Franklin tell you what their understanding was?

Mr. RILEY. The Attorney General was not familiar with it.

Mr. TEN EYCK. Did you ever ask Mr. Figg to communicate the understanding to you?

Mr. RILEY. Yes, sir.

Mr. TEN EYCK. What did Mr. Figg say?

Mr. RILEY. Mr. Figg told me what had happened up to that point.

Mr. JONES. Did you ever learn about the American Trading Co., how they and the Howell Co. happened to go together? Did you ever get the information you wanted, which Mr. Franklin would not furnish?

Mr. RILEY. No; I never got it directly.

Mr. JONES. Did you ever get it indirectly?

Mr. RILEY. You mean—I do not know—

Mr. JONES (interposing). Why they wanted to operate together?

Mr. RILEY. I suppose it was so they could each make a cent a pound.

Mr. JONES. That is what I assumed. They each were to make a cent a pound, whereas the other companies were only to make a cent operating individually.

Mr. RILEY. Yes.

Mr. JONES. As a matter of fact, the American Trading Co. and the Howell Co. are owned largely by the same people, are they not?

Mr. RILEY. I do not know.

Mr. JONES. Do you know whether or not the American Trading Co. resold any sugar in the Argentine that they purchased down there?

Mr. RILEY. I do not know; but I will tell you what information I have on that point. I understood—and I got my information from the record—that they purchased approximately 14,000 tons in the Argentine market, and imported that 14,000 tons in this country. I have recently heard from what ordinarily I would consider reliable sources, that they purchased 25,000 tons of Argentine sugar in the Argentine.

Mr. JONES. What did they do with the other 11,000 tons?

Mr. RILEY. That is a question I would like to have answered.

Mr. JONES. It did not arrive in this country?

Mr. RILEY. It did not arrive in this country, and they say they did not resell any Argentine sugar in the Argentine. Of course, they could have sold that in other countries.

Mr. TINCHER. Did they not have a purchasing company down there, and did they not really purchase their sugar that way?

Mr. CLARKE. Mr. Franklin is here; why not ask him?

Mr. TINCHER. If the gentleman from New York knows he has any information, I will withdraw my question. I will not waste any time over it.

I do not know whether there is anything to it, but was there not a company that gathered up the sugar, which was organized by them, and did not that company, as a matter of fact, gather up 25,000 tons of sugar and then resell 11,000 tons of it in the Argentine at a profit?

Mr. RILEY. I do not know.

Mr. TINCHER. Have you heard that?

Mr. RILEY. I heard they purchased 25,000 tons, of which 14,000 tons were shipped to the United States.

Mr. TINCHER. There is nothing in the hearings accounting for what they got, or for the other 11,000 tons, or what profit they made on that?

Mr. RILEY. Not so far as I know.

Mr. ASWELL. Mr. Franklin, is that true?

Mr. FRANKLIN. Is what true?

Mr. ASWELL. Did you buy 25,000 tons?

Mr. FRANKLIN. No, sir. We only bought the amount of sugar that I have previously told this committee about, and no more. We brought into this country all of the sugar we bought in the Argentine.

Mr. KINCHELOE. Are there any other firms that were in the sugar-buying business except the American Trading Co. and the Howell Co. that got 2 cents a pound profit?

Mr. RILEY. Howell and the American Trading Co. did not get 2 cents a pound.

Mr. KINCHELOE. Were to get 2 cents a pound.

Mr. RILEY. Not that I know of. We were attempting to discourage that where we could.

Mr. KINCHELOE. Can you give any other reason why they went in together, except that they would get a double profit?

Mr. RILEY. I have been informed that the American Trading Co. are not familiar with the sugar business and required some experts to distribute the sugar for them.

Mr. KINCHELOE. At the same time they were to get 2 cents a pound, while these other people were to get 1 cent?

Mr. RILEY. I suppose neither was willing to operate for nothing.

Mr. KINCHELOE. It is a fact that they were to get 2 cents, and then there is the further fact that the rest of the people would get only 1 cent?

Mr. RILEY. Yes, Howell and the American Trading Co., the two of them were to get 2 cents.

Mr. KINCHELOE. That is what I am talking about.

Mr. WARD. I think the Attorney General testified that there was a charge of 1 cent for the purchasing, and another cent for the distribution.

Mr. KINCHELOE. Did not the others have purchasers the same as theirs?

Mr. ASWELL. The others bought sugar there, too.

Mr. KINCHELOE. This claimant put these 2,000 tons in this country?

Mr. RILEY. I understand so.

Mr. KINCHELOE. They were to get only 1 cent a pound?

Mr. RILEY. Yes.

Mr. KINCHELOE. They did as much in addition to distribute it in proportion to the amount they handled as the American Trading Co. and Howell?

Mr. RILEY. Yes, proportionately.

Mr. KINCHELOE. And they were to get only half as much profit?

Mr. JONES. Do you know how the American Trading Co. or Howell purchased sugar? Do you know the details of how they purchased sugar in the Argentine?

Mr. RILEY. I do not think I know any more about it than you gentlemen about those transactions. The State Department made the arrangements for the lifting of the embargo.

Mr. KINCHELOE. When you asked Mr. Franklin for this bit of information, you say your purpose was to see that it went into the right channel, and he declined to give it to you, saying that he was doing business with Mr. Figg, and you at that time told him that that function of the Department of Justice had been turned over to you as the Assistant Attorney General, and you were then handling the matter; is that true?

Mr. RILEY. Yes, and it was the only instance in which such information was refused me.

Mr. WARD. If you had the authority, why did you not demand the information?

Mr. RILEY. I could have done so.

Mr. WARD. If you could have, why did you not?

Mr. RILEY. For two reasons. One was that I was in a rather delicate position with relation to Mr. Figg, because at the time he was sort of going out, and I was coming in. He was representing the department, and I did not want to encourage the feeling in the trade that there was any friction in the department. I knew they were dealing with the American Trading Co.—

Mr. WARD (interposing). And the way the situation was left up to you, it would seem to me it would not be very satisfactory to you.

Mr. RILEY. No, it was not so unsatisfactory, because I was asking for information from a man who was dealing with another representative of the Department of Justice, and I did not want to place myself in open conflict with another member of the department.

Mr. WARD. It was partly unsatisfactory because it did, in a way, interfere with the performance of your duties?

Mr. RILEY. It did not give me the information which I felt I was entitled to.

Mr. WARD. I should think you would have gotten it if you were entitled to it.

Mr. RILEY. There was lots of information that I should have gotten that I did not get.

Mr. TEN EYCK. You never took this up with the Attorney General to have the heing cleaned up and have Mr. Figg instructed to furnish you this information? That would never have gotten out to the trade?

Mr. RILEY. Mr. Figg gave me all the information he had.

Mr. WARD. Then you had information?

Mr. RILEY. I had all that Mr. Figg had, but not all that the American Trading Co. had.

Mr. WARD. Mr. Figg had all the information concerning the transaction?

Mr. RILEY. I do not know whether he did or not. I do not think he did.

Mr. VOIGT. You could have gotten this information by asking Mr. Figg to get it?

Mr. RILEY. Mr. Figg did not have it.

Mr. KINCHELOE. The information you were trying to get was in regard to the subsequent developments?

Mr. RILEY. Yes.

Mr. VOIGT. You could have gotten further information by asking Mr. Figg to call upon the American Trading Co. for it?

Mr. RILEY. Yes; I could have, but this was the point—

Mr. WARD. (interposing). Then why did you not get it?

Mr. RILEY. Because we were under such pressure that I did not want to aggravate a condition which was delicate.

Mr. VOIGT. I think it was time to put pressure on and let it go.

Mr. PURNELL. We have gone rather far afield, but perhaps we can get some information from this question: As a lawyer would you say that there is anything in connection with this latter transaction—I am talking about the Lamborn claim—that would justify this committee in reaching the conclusion that there is either a legal or a moral obligation, or both, on the part of the Government to reimburse them for any loss they sustained in in handling the 2,000 tons of sugar?

Mr. RILEY. You are saking me to give a conclusion, and as a lawyer I have always felt that is not the thing to do. I would rather give you such facts as I can give you and let you draw your own conclusions.

Mr. PURNELL. I do not regard this hearing as being one calculated to be confined to or to be governed by the ordinary rules of procedure in a court. You realize the position which the members of this committee occupy, and that we must pass upon that very question. There has been a dispute, and is yet, in some quarters at least, as to the legality of this claim.

Mr. RILEY. I have always maintained that in my opinion there was no legal liability to the Government in connection with any of these claims.

Mr. PURNELL. Then what do you say on the question of the moral obligation on the part of the Government growing out of any suggestions or impressions you may have created as a representative of the Government?

Mr. RILEY. I put as much pressure on these men to import sugar as I felt I could rightfully do.

Mr. PURNELL. Would you say that they would not have considered the matter, would not have imported any sugar, if you had not put the pressure on?

Mr. RILEY. I think they would not have.

Mr. PURNELL. Did you do or say anything that would leave the impression in the minds of these men that if they went into this and lost money they might look to the Government for redress?

Mr. RILEY. No.

Mr. PURNELL. Was there anything said by you or them, or any other representative of the Government, touching upon the question of a possible loss?

Mr. RILEY. Not to my knowledge.

Mr. PURNELL. But the question of profit was fixed?

Mr. RILEY. Yes. You see, it looked like such a bull market that anybody who could get sugar out in time would be sure of a profit.

Mr. ASWELL. Did it occur to you there might be a loss?

Mr. RILEY. No. I thought these people would contract for the sugar and sell it immediately, to be delivered upon arrival in this country, and I did not see how there could be any loss.

Mr. PURNELL. That seems to have been the general impression, and the question that the members of this committee must decide is whether or not there is a moral

obligation upon the part of the Government to reimburse these gentlemen who entered into this transaction, largely at your suggestion.

Mr. CLARKE. I understand that this importation of sugar was accompanied by an elaborate program of advertising in the newspapers throughout the country, and as a result of that do you not think that was an inducing cause in breaking the price?

Mr. RILEY. I was going to say that I think our efforts to persuade these people to bring sugar in had a very material effect on the price and on the supply; you might ask how on the supply when there was only a small amount involved. But it released much sugar that was being hoarded throughout the country and threw that on the market.

Mr. CLARKE. Is it a fair conclusion for me to draw from your evidence that, first, you believed that, through the pressure you brought to bear upon all these sugar claimants, these gentlemen went out and bought sugar to import into this country?

Mr. RILEY. That is a fair conclusion.

Mr. CLARKE. And, second, that as a result of this and the advertising that was done the effect upon the American public in general was such as to benefit them through the breaking of the price of sugar; is that a fair conclusion?

Mr. RILEY. I would say they derived enormous benefits, and the amount of money that is involved in these claims is so infinitesimal as compared to the benefits that it is hardly worth mentioning.

Mr. KINCHELOE. You would not want to express a conclusion but you present the facts. You are speaking of the necessity. You did not get the information direct from Mr. Franklin about the transaction with the American Trading Co. But you are so familiar with the transaction in connection with the De Ronde claim and this transaction that I want to ask you this question: Would you say the Government is legally or morally bound, or both, to pay one any more than the other?

Mr. RILEY. No; I do not think so.

Mr. KINCHELOE. Do you think there is any more equity or obligation, or that it is any more incumbent upon the Government to pay one of the claimants than the other?

Mr. RILEY. Not at all.

Mr. VOIGT. You are aware of the fact that De Ronde and the American Trading Co. were prohibited by the American Government from reselling their sugar in the Argentine, are you not?

Mr. RILEY. Yes.

Mr. VOIGT. And the Lamborn Co. got all their sugar out of the Argentine?

Mr. RILEY. Yes.

Mr. VOIGT. There was none down there to resell?

Mr. RILEY. I do not know that.

Mr. VOIGT. That is the fact. Assuming that to be the fact, do you not think there is some stronger equity in favor of the man who was prevented from reselling his sugar in the Argentine and thus not be able to save himself from loss than in favor of the man who had sold his sugar there?

Mr. RILEY. If the other party had acted with the same alacrity with which Lamborn acted, he would have been in the same predicament that Lamborn was in. Mr. Lamborn, I think, was the first to bring it in, and the others who did not bring it in so soon did not bring relief as soon as they did. Yet they may now derive some benefit from this delay.

Mr. VOIGT. Can you say the American Trading Co. and De Ronde did not act with due diligence in accumulating sugar and getting it out of the Argentine?

Mr. RILEY. No; I say they did not act as promptly, because they did not know as much about the business, and they attempted to bring in sugar which would not come under the 30 per cent deposit regulation, while Lamborn bought sugar which, I believe, did come under that regulation. In the one instance you could bring in the sugar immediately if you made the deposit, I understand, of 30 per cent with the Argentine Government. The others waited until that restriction was removed before they imported.

Mr. VOIGT. The Department of Justice and the Department of State undertook to have that restriction removed for De Ronde and for the American Trading Co.?

Mr. ASWELL. Not for De Ronde.

Mr. RILEY. I would say not for either one of them, but for the United States, so people might bring in that quantity of sugar.

Mr. KINCHELOE. But the American Trading Co. did wait to get the advantage of the special permit, while these people brought it in under the general permit?

Mr. RILEY. That is true.

Mr. VOIGT. That special permit having been given, then the Government was justified in not letting them sell the sugar in the Argentine, after having gotten the Argentine Government to remove the restrictions?

Mr. RILEY. Yes, because they got it on account of the necessity existing in this country, and if they sold it there at a profit the Argentine Government might say that there was a conspiracy.

Mr. VOIGT. Is it not true, however, that the American Trading Co. had bought their sugar in the Argentine before this permit was issued but did not get it here until a long time after because—

Mr. RILEY (interposing). I believe the record would indicate that.

Mr. ASWELL. Is not that explained by the fact that Mr. Lamborn is a sugar man and the others are not?

Mr. RILEY. I think all those factors entered into it.

Mr. KINCHELOE. Is there not another factor that enters into it, that they were waiting to get rid of this permit?

Mr. TEN EYCK. In the propaganda which you put out through the country, how much sugar did you give the country the impression there was going to be brought in from the Argentine?

Mr. RILEY. As far as I know, the department did not give any impression of that kind, but the newspapers gave the impression.

Mr. TEN EYCK. What was the amount of sugar that the newspapers gave the impression was going to be brought in here?

Mr. RILEY. That was two years ago, but my recollection is that it was from 70,000 to 100,000 tons.

Mr. TEN EYCK. Where did the newspapers get that information? You do not know where they got that information?

Mr. RILEY. Oh, yes; they got it from the Department of Justice, because, you see, the amount involved was 100,000 tons; I mean the amount involved in connection with this embargo was 100,000 tons. But the amount involved in the actual importation was much less.

Mr. TEN EYCK. Can you tell us how much each of the companies brought in?

Mr. RILEY. You have that in the record.

Mr. TEN EYCK. Approximately, how much do you think they brought in?

Mr. RILEY. You mean among the lot of them?

Mr. TEN EYCK. These three.

Mr. RILEY. I understand the American Trading Co. brought in about 14,000 tons; that Lamborn brought in 2,000 tons; and that De Ronde brought in 5,000 tons. That is my recollection of it.

Mr. TEN EYCK. That is about 21,000 tons altogether.

Mr. GERNERD. Did you solicit Mr. De Ronde or did Mr. De Ronde solicit you?

Mr. RILEY. I met Mr. De Ronde in this club, where I was attending a coal conference, and it developed in the conversation that he had a ship in the Argentine, and, as I recall, we then discussed the bringing of sugar into this country, and apparently it had not occurred to him before. But, of course, I wanted them all to bring in sugar, and the quicker the better, and I urged him to do it.

The CHAIRMAN. How much of the 100,000 tons were imported?

Mr. RILEY. As far as we have any record of it, it was 21,000 tons.

The CHAIRMAN. All told?

Mr. RILEY. That is what the record shows.

The CHAIRMAN. That is, the record before this committee?

Mr. RILEY. Yes.

The CHAIRMAN. Have you any knowledge of the amount imported?

Mr. RILEY. No, sir; I have not.

The CHAIRMAN. Can you estimate the number of claims which are likely to be filed, in addition to those that have been filed?

Mr. RILEY. I have heard of only one other.

The CHAIRMAN. What is that?

Mr. RILEY. The Watson claim.

The CHAIRMAN. Have you any knowledge of any others?

Mr. RILEY. I have no knowledge of any others; that is, I can not recall any.

The CHAIRMAN. If we had a report on the amount imported we could estimate the number of claims which are likely to be presented.

Mr. LAMBORN. The Department of Justice and the customs office in New York can give you all of them. I think there were several cargoes that were brought in by people who had been gamblers in the market, and when the sugar came and the market went down they repudiated their contracts and left it in the hands of the banks.

The CHAIRMAN. Did the banks file claims?

Mr. LAMBORN. The banks gave the credit and then these people repudiated their contracts.

Mr. CLARKE. Is this claim you referred to a moment ago apparently a small claim?

Mr. RILEY. I think so, because I understand he was not a man of large means, and I did not know he brought in any, although I had negotiations with him and understood he contemplated doing it, but that he actually brought in any I never knew.

The CHAIRMAN. Do you know of anyone connected with the department who claims that the people who brought in the sugar had a guarantee against the loss?

Mr. RILEY. Absolutely not. I am talking about my own position at that time. I did not feel that we had any right to do that.

The CHAIRMAN. You have no knowledge of anybody obligating the Government in the matter of loss?

Mr. RILEY. Other than as you say.

The CHAIRMAN. Other than as you say—that is, to give encouragement, and that same encouragement was given to everybody, whether in connection with sugar or anything else. The slogan was to produce food, was it not?

Mr. RILEY. We did more than that. We were working a great deal closer.

The CHAIRMAN. You were urging every farmer to grow grain.

Mr. RILEY. I was not in this country during that campaign of the Food Administration, so I have no personal knowledge of what was done at that time. I was in the Army at that time.

The CHAIRMAN. The question, I take it, for the committee to determine is whether or not there is any liability, either legal or moral.

Mr. RILEY. I say—as to what had been done in the way of general encouragement—I do not know what was done. But I do know what was done in these particular cases.

Mr. McLAUGHLIN of Michigan. When did your service in the department begin and when did it end?

Mr. RILEY. It ended—

Mr. McLAUGHLIN of Michigan (interposing). No; when did it begin?

Mr. RILEY. I think it was in December—it ended on March 3, 1921; I think I was with the Department of Justice about a year and a half. I think it began about December of 1919. I should know these things, but I do not remember. It was about a year and a half prior to March 3, 1921.

Mr. TEN EYCK. That would put the beginning about September or October, 1919.

Mr. HUNT. Did not Lamborn & Co. and other importers file with you a complete statement showing the importations they were going to make, that they had contracted for, and keep those statements up to date from time to time, and did you not require that of all the importers?

Mr. RILEY. Yes; not that which they contemplated making, but which they had contracted for or actually brought in.

Mr. HUNT. That was kept up to date during your term in office?

Mr. RILEY. Yes; and that was the purpose of my request made to the American Trading Co.

Mr. HUNT. You have stated that you did not know directly of this importation, but this importation was included, undoubtedly, in the documents filed with you under your rule at the time, although it might not have been called to your attention directly at the time.

Mr. RILEY. It was within the knowledge of my office.

Mr. KINCHELOE. Did they all do that except the American Trading Co.?

Mr. RILEY. Yes; where I requested it. The United States Customs Service was making similar reports.

Mr. TEN EYCK. Do you know of any correspondence which the Attorney General's office had with the Argentine Government through the office of the Secretary of State in behalf of any one of the sugar companies?

Mr. RILEY. Only as it appears in the record.

Mr. TEN EYCK. You did not know anything at that time about any special correspondence?

Mr. RILEY. No—at which time?

Mr. TEN EYCK. At any time.

Mr. RILEY. Yes; because Mr. Figg told me, up to a certain point, what had been done.

Mr. TEN EYCK. Do you know that there was no correspondence in relation to Mr. Lamborn's claim?

Mr. RILEY. I did not know of any correspondence.

Mr. LAMBORN. May I ask a few questions? I will state that we had no correspondence whatsoever, and my testimony relating to that matter in connection with the Department of Justice is in the record.

Mr. RILEY. were you present at that meeting at the Department of Justice on May 21?

Mr. RILEY. Yes.

Mr. LAMBORN. Did you hear my testimony on yesterday?

Mr. RILEY. Yes.

Mr. LAMBORN. Did I state substantially at that time what was said at the meeting and the effect of the meeting and the result of the meeting?

Mr. RILEY. I think you did.

Mr. LAMBORN. Did you subsequently meet the importers' committee, selected by themselves at the request of the Attorney General, which he then appointed, at your office in New York in the following week?

Mr. RILEY. Yes.

Mr. LAMBORN. And frequently?

Mr. RILEY. Constantly.

Mr. LAMBORN. Did you keep in touch with our office?

Mr. RILEY. Yes.

Mr. LAMBORN. Did we extend to you and to the department every possible courtesy by trying to aid you in handling this sugar?

Mr. RILEY. Yes; you did.

The CHAIRMAN. It is after 12 o'clock. How much more time will you need, Mr. Riley?

Mr. RILEY. There is just one thing I would like to refer to, and that is the question in regard to the written record. I notice that Mr. Glasgow made a great point of that. I believe he does not recognize any claim as having any merit unless it is in writing. That requirement happens to conform to the one claim he seems to be interested in, although he disclaims that interest. I have not been able to attend these hearings and hear what the witnesses have said, but I do not like the different aspersions and remarks he has made about my conduct with these people, because it is not in writing. But if a Senator, a Member of the United States Senate, saw fit to take my verbal word as to what prices should be charged for American beet sugar, as Senator Smoot has done, I think there is not any need for any comment on the fact that no written record exists in connection with the other transactions.

I feel rather strongly on that, because Judge Glasgow has from time to time given the impression that he is acting solely as the representative of the United States Government and has no other interest. I may say that never have I received a nickel in any way from any source while I was in the Government service other than from the United States paymaster, but what I do know is that Judge Glasgow has received fees from time to time, some of them of tens of thousands of dollars, and that he was at that time acting on behalf of some of the alleged violators of the Lever Act, and that strikes me as being something that Judge Glasgow can answer.

Mr. ASWELL. Is he employed now by the American Trading Co.?

Mr. RILEY. I do not know. But I do know he was operating under the United States Equalization Board, which is a corporation organized under the Lever Act, and at the same time he attacked the constitutionality of the Lever Act successfully, so running with the hares and next hunting with the hounds.

Mr. ASWELL. Is he drawing a salary as a member of the Sugar Equalization Board?

Mr. RILEY. He says he is still representing them, but over two years ago I was informed by various representatives of the Equalization Board that they were no longer functioning, and when different things would arise which I felt should be referred to the Equalization Board they would say, "Take this into your own department. We are through; we are winding up our business." I do not know that the embarrassment the administration received at that time was an altogether unadulterated sorrow to Mr. Glasgow.

Mr. ASWELL. I was wondering if Mr. Glasgow does anything else than write the chairman of this committee.

Mr. RILEY. I do not know. I have seen a letter recently which reflects on me, and I noted his attitude toward me when I was down here once before.

He says that he has no claim, that he is not interested in any claim. But if you will refer to page 29 of the hearings before this committee in January, 1921, you will see what he thinks of the claim. He says: "The unanimous opinion of the board was that by reason of the falling down on the part of the State Department and of the Department of Justice in this transaction these gentlemen (the American Trading Co.) have been very hardly dealt with in having to assume this loss, and the board unanimously felt that as between man and man in a transaction of this kind the equities were all with these gentlemen to be saved from this loss if it could properly



be done. And if you gentlemen determine, or Congress determines, that the equities and rights between them are as I suggest and direct the Sugar Board to take over the transaction, we will take it over and we will work it out at the least loss we can and we will stand the loss instead of having these gentlemen bear it, which under the circumstances the board thought would be very inequitable and very harsh."

THE CHAIRMAN. Reference has been made to correspondence between the chairman and Mr. Glasgow. This committee keeps a record of requests to be notified of hearings. The letters from Mr. Glasgow referred to have been requests for printed reports of hearings and in acknowledgement to notices of meetings sent out. Mr. Glasgow and everybody else asking to be were notified of hearings.

MR. WARD. Sent to Mr. Glasgow, and the letters are published.

MR. TINCHER. He takes occasion in those letters to give a lot of his views, which nobody is asking for, and I will state if these bills pass it is due this administration to have a settlement with that gentleman in view of the testimony he has given and the statement that this gentleman makes, that he is part of the time with the hares and part of the time with the hounds.

MR. RILEY. He also says on page 32 of the same hearing, "I am not talking about whether there are other people that are hurt through the country or not—these gentlemen have been dealt with very badly, and if it was a transaction between man and man I would feel that I would not do right to leave another fellow with the bag to hold." He feels that this is the only company that holds the bag.

MR. McLAUGHLIN of Michigan. He is expressing an opinion, and if it is not borne out by the facts and information we can not do anything.

MR. TINCHER. What was the occasion on which he attacked the Federal law?

MR. RILEY. The Lever Act.

MR. TINCHER. Do you remember the title of the case?

MR. RILEY. No; it was some Philadelphia case, a case in Pennsylvania.

MR. TINCHER. Do you know whether it was finally heard in the Supreme Court of the United States?

MR. RILEY. The Lever Act was litigated in the Supreme Court of the United States. Whether or not Mr. Glasgow submitted a brief I am not certain, but I have been so informed, that he submitted a brief attacking the constitutionality of the act.

MR. TEN EYCK. I want to make a statement as a member of this committee. I want to say that as to every witness who comes before us, as far as I am concerned, I am going to weigh his testimony in an unbiased way. I am going to take what Mr. Riley says to-day in relation to this claim and all other claims and weigh it in my own mind, and give it such value as I consider it to be worth, and I am going to take Mr. Glasgow's testimony and weigh it in my own mind, honestly, and I am going to take every other man's testimony given here and weigh it. As far as the fight between these people themselves is concerned, I do not care a bit in relation to that, but I think it is the duty of the committee to weigh the testimony and look at each individual witness and decide for themselves what they should do in relation to this important subject.

MR. LAMBORN. Mr. Chairman, yesterday some gentleman—I think it was the gentleman at your right—offered some letters, apparently from Judge Glasgow. I do not know whether they were embodied in the record or not. I do not know whether a motion was made that they should be made part of the record. If they referred to our claim, are we entitled to a copy of those letters, so that we may see them? We would like to see them.

THE CHAIRMAN. Are they to be incorporated in the record?

MR. SINCLAIR. Do they refer to this claim?

THE CHAIRMAN. They refer to this and other claims. What is the pleasure of the committee?

MR. CLARKE. I move that they be put in the record.

(The motion was adopted.)

(The letters referred to are as follows:)

PHILADELPHIA, February 23, 1922.

HON. GILBERT N. HAUGEN,  
Chairman Committee on Agriculture, House of Representatives,  
Washington, D. C.

MY DEAR MR. HAUGEN: You will probably recall me as counsel for and a member of the United States Sugar Equalization Board. I am particularly interested in the action that may be taken by Congress with reference to the claims of the American Trading Co., De Ronde, and Watson for reimbursement of losses in connection with the purchase of sugar in Argentina. I examined carefully, as I told you on one occasion, the claim of the American Trading Co., and came to the conclusion that it was a just claim. I reached exactly a different opinion as to the De Ronde claim, and as to the Watson claim I have no information at all. I am not willing for the money of the

United States Equalization Board, which belongs to the Treasury of the United States, to be distributed on claims of this kind unless there is some record evidence tending to show the equity of the situation.

I am very anxious, therefore, to have a complete record of all that took place in your committee as to each of these claims and the report of the committee and any minority report which may have been made. Would it be asking too much to have the secretary of the committee forward to me a complete record as to these claims?

Believe me,  
Very truly,

WM. A. GLASGOW, Jr.

PHILADELPHIA, *March 13, 1922.*

G. N. HAUGEN, Esq.,  
*Chairman Committee on Agriculture,  
House of Representatives, Washington, D. C.*

MY DEAR MR. HAUGEN: I have your letter of March 10, 1922, inclosing me House resolution No. 284, as to the sugar board's assuming the losses on Lamborn & Co., and stating that a hearing had been asked for before your committee. Of course, the sugar board will desire to have notice of any such hearing, as there is no record evidence anywhere of any liability to Lamborn & Co., and the same was true as to the de Ronde claim.

I am very much troubled at these claims being pressed against the treasury of the sugar board, the money in which belongs to the Treasury of the United States for the benefit of the Government. The board went as far as it could in recognizing an equitable claim on the part of the American Trading Co., where there was a record in writing, and personally I feel that the Treasury ought to be protected against claims as remote as the evidence showed the de Ronde claim to be. I can not understand how there could have been a unanimous report in favor of the de Ronde claim, where there was no record, and a minority report as to the American Trading Co., which was a claim based upon the records of the State Department and the Department of Justice.

Believe me, very truly,

WM. A. GLASGOW, Jr.

PHILADELPHIA, *April 13, 1922.*

HON. GILBERT N. HAUGEN,  
*Chairman Committee on Agriculture, House of Representatives,  
Washington, D. C.,*

MY DEAR MR. HAUGEN: I have your letter of April 11, 1922, notifying me of the hearing before the committee on H. J. Res. 284, being the claim of Lamborn & Co., to be reimbursed for losses sustained on Argentine sugar, and further stating that this hearing would be had on Monday, April 17, 1922, at 10 o'clock a. m.

I regret that my engagements are such that I will be unable to appear.

As I understand the situation, there are, and have been claims made by four parties to be reimbursed for losses on importation of Argentine sugar in the year 1922. The only one of these claims as to which there is any record evidence in the departments at Washington or elsewhere, so far as I know, is the claim of the American Trading Co., and while the United States Sugar Equalization Board felt beyond doubt that there was no claim against it by anybody, it did feel, in view of the record evidence, that there was an equitable claim on behalf of this company against the United States.

The board, however, is absolutely opposed to any action which might look to the fund under its control being diverted from the Treasury of the United States to the payment of any claim, unless there is record evidence establishing an agency of the claimant on behalf of the United States, and the board feels that it is its duty, so far as proper, to protect funds under its control for the benefit of the Treasury of the United States.

The claims covered by the four resolutions which have been pending in Congress, it is estimated by the board if paid out of its Treasury, would take approximately \$7,000,000 or more of money which belongs to the United States as the only stockholder of the United States Sugar Equalization Board (Inc.).

I regret that I will be unable to attend the hearings, but I have stated above, as nearly as I can, and with accuracy, as I understand it, the feeling of the members of the United States Sugar Equalization Board.

Believe me with great respect,  
Very truly,

WM. A. GLASGOW, Jr.

Mr. RILEY. I would like to state, Mr. Chairman, that I have no quarrel with Mr. Glasgow. I have seen him once, but I have had reactions from his activities which I did not understand, and for that reason I took this opportunity, which is the only opportunity I have had of placing myself right with the committee.

Mr. WARD. I want to move, Mr. Chairman, that the Committee on Agriculture request the Committee on Rules of the House to report a special rule for the consideration of S. J. Res. 12 at the earliest possible date.

Mr. CLARKE. I think you ought to include No. 79.

Mr. TINCHER. I want to be heard on that motion.

Mr. VOIGT. I want to make a motion also in regard to the milk bill. I move that we adjourn until 10 o'clock to-morrow morning.

Mr. TINCHER. I have an engagement to-morrow morning with the Senators from my State; can you make it Thursday morning?

Mr. VOIGT. I do not care. I will make it Thursday morning at 10 o'clock.

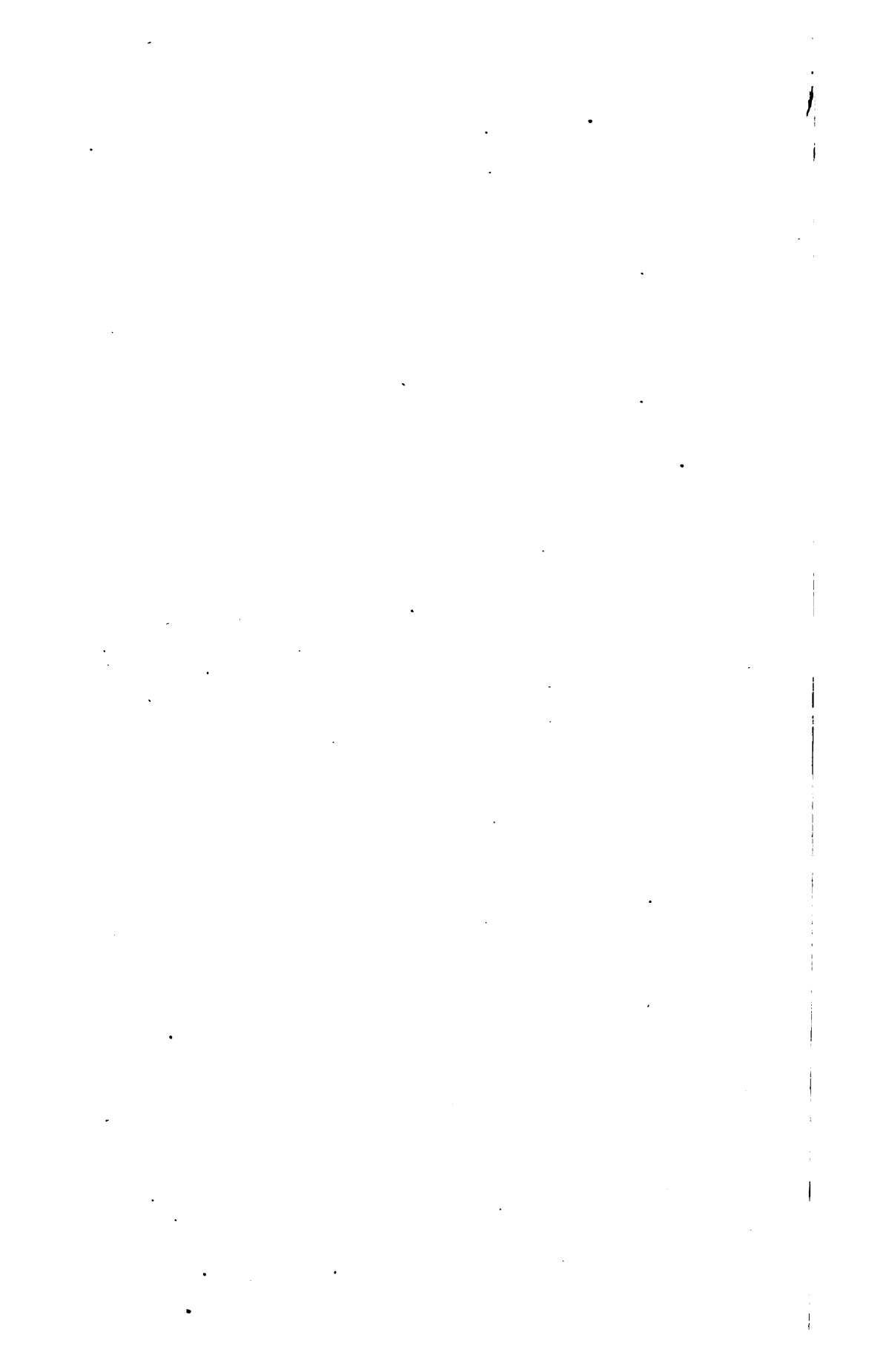
Mr. WARD. Why not have it to-morrow morning? I want to be away on Thursday.

Mr. VOIGT. I will amend my motion and make it Thursday morning at 10 o'clock.

(The motion was agreed to).

(Thereupon, the committee adjourned to meet Thursday, April 20, 1922, at 10 o'clock a. m.)





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